Austria	Sch24	Indonesia	Rp3400	Philippines	Pso40
Bahrain	Din0.700	Iran	Rls210	Poland	Zl 9,000
Belgium	BFr55	Israel	Shk3.50	Portugal	Es150
Cyprus	C£0.90	Italy	L2000	Qatar	QR8.50
Denmark	DKr12.00	Jordan	Fils1000	S.Arabia	SR7.00
Egypt	E£3.25	Kuwait	Fils.500	Singapore	S$4.10
Finland	Fmk8.50	Lebanon	L£400.00	Spain	Pta165
France	FFr7.50	Lux	LFr55	Sweden	SKr12
Germany	DM2.60	Malaysia	M$4.25	Switz	SFr2.50
Greece	Dr150	Morocco	MDh8.00	Thailand	Bht50
Hong Kong	HK$12	Neth	Fl 3.25	Tunisia	Din0.850
Hungary	Ft107	Nigeria	Naira10	Turkey	L1400
Iceland	IKr160	Norway	NKr12.00	UAE	Dh7.00
India	Rs15	Oman	OR1		

EUROPE'S BUSINESS NEWSPAPER

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D 8523A

ITALY
Handicapped by its railway service
Page 3

World News

Lithuania to consider U-turn on independence

Lithuania's parliament today considers whether to freeze its independence declaration temporarily in return for secession talks with Moscow.

However, no quick decision is likely because of public suspicion of the Kremlin, according to officials in Vilnius, the capital. Page 3

More shocks in Iran

Fresh aftershocks rattled earthquake-devastated northern Iran, sending survivors fleeing for open ground and triggering landslides that hampered rescue efforts. The death toll from Thursday's big quake is still climbing and officials expect it to pass 50,000. Page 7

London bombing

A explosion ripped through an exclusive club in the heart of London frequented by members of Britain's ruling Conservative Party. The blast in the ground floor of the Carlton Club caused fire to spread throughout the building, hampering the recovery operation.

Talks scheduled

Pakistan and India are to hold talks on the disputed state of Kashmir, where at least 700 people have died in fighting this year. The meeting, in the Pakistani capital of Islamabad, will be held in second week of July. Page5

Germans move west

More than a quarter of Romania's ethnic German community has left the country for the Federal Republic in what amounts to a massive vote of no confidence in its new government. Page 3

Shamir appeals

Yitzhak Shamir, the Israeli Prime Minister, has appealed to Soviet President Mikhail Gorbachev not to bow to Arab pressure and cut off the flow of Soviet Jewish immigrants to Israel. Page 7

Alleged spies held

West Germany said it has arrested five people since the end of May on suspicion of spying for East Germany.

Zambians rebel

Police used teargas and live ammunition to dispel rioters who went on the rampage in central Lusaka in protest against a sharp increase in Zambian food prices. Page 22

Gunmen steal $4m

Five masked gunmen broke into a railway postal depot in Alessandria, Italy, and got away with L5bn ($4m) in cash, cheques and valuables after tying up night workers.

Yugoslavian warning

The President of Serbia, Yugoslavia's biggest republic, warned that the country would fall apart if the present federal system were changed. Page 3

Berlin for capital

The mayors of East and West Berlin came to Bonn to make a joint claim for Berlin as capital of a united Germany as poll evidence indicates that enthusiasm for the move is dropping. Page 2

Mafia chief killed

Gunmen pumped at least 20 bullets into the head and body of Italian Mafia boss Giuseppe Oliviero as he lay asleep in his Naples hospital room.

Mercouri for mayor

Melina Mercouri, 65, Greece's popular actress turned fiery Socialist politician, will seek to become mayor of Athens in elections in October.

'Not our fault'

Officials who run the Cyprus state lottery say a machine fault that made most of the tickets worthless was not their mistake. For two years, only one ticket in five was actually being included in the draw.

Business Summary

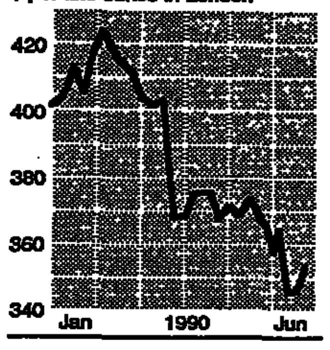
American Express plans new European HQ in London

American Express, the large US travel and financial services group, announced plans to locate its new European headquarters at Canary Wharf, the large commercial development in London's Docklands. But Merrill Lynch, the US brokerage firm, said it had decided to cancel earlier plans to take space after failing to reach agreement with the developers. Page 22

MARKETS: recent aggressive sales out of the Middle East had damaged the gold market said Robert Guy, a director of N.M. Rothschild & Sons.

Gold price

$ per fine ounce in London



Meanwhile, Brazil has contributed to the recent sharp fall in the gold price by selling 137 tonnes of the precious metal in the international market since February. Page 42; World Stock Markets: Back Page, section II

EUROPEAN Commission underlined its determination to stop West Germany imposing a controversial tax on trucks from the start of next month. Page 22

MICHELIN, world's largest tyre group, announced that it would shed 2,260 jobs, 4.6 per cent of its French workforce, because of a fall in demand the French and US car industries. Page 23

SIEBE, acquisitive UK controls, engineering and safety equipment group, emerged as the successful bidder for Foxboro, the Massachusetts-based supplier of process automation and control equipment. Page 23; Lex, Page 22

TEXAN corporate raider, T. Boone Pickens and Koito Manufacturing, the Japanese automotive parts maker in which he has bought a 26 per cent stake, have engaged in a war of words in advance of the company's annual meeting on Thursday. Page 27

ELDERS IXL, troubled Australian brewing conglomerate, reached a key stage in its asset disposal programme by agreeing the A$623m sale of its controlling stake in Elders Resources NZFP. Page 24

JAPANESE and US negotiators were unable to settle outstanding disputes in what is intended to be the last round of bilateral negotiations to remove "structural impediments" to trade. Page 4

CATERPILLAR, world's largest maker of earthmoving equipment said second-quarter net income would probably drop to less than half its first-quarter level because of a dramatic decline in results from its Brazilian operations. Page 26; Lex Page 22

SAMSUNG, South Korea's largest conglomerate, is to start producing trucks following an agreement with Nissan Diesel of Japan to supply technology. Page 27

HONEYWELL, US controls maker, welcomed two legal developments that should speed up its much delayed patent infringement case against Minolta, the Japanese camera manufacturer. Page 26

EC leaders set date for talks on political union

By David Buchan, Philip Stephens and Kieran Cooke in Dublin

LEADERS of the 12 European Community states yesterday *committed themselves to begin* negotiations for EC political union as well as monetary union on December 14-15.

Agreement to begin writing into the EC treaties possibly *far-reaching* political reforms to give the Community more *democratic legitimacy, efficiency* and a higher international profile was achieved without any major row.

Mrs Margaret Thatcher, the British Prime Minister, made no attempt to block or delay convening of the two inter-governmental conferences (IGCs). But she made clear that Britain still had serious reservations about the direction in which the Community was headed.

After a day setting the course on internal EC business, the 12 leaders and their foreign ministers tackled over dinner the questions of aid for the beleaguered Soviet economy and of continuing sanctions against South Africa.

Mr Charles Haughey, the Irish Prime Minister, said the mood of the summit, which he was chairing, was to have "a substantive and positive discussion" about aid for the Soviet Union. "We all have a very real interest in seeing that (President Gorbachev's) political efforts and perestroika are not derailed, and the the political community must see how it can help," Mr Haughey said.

Earlier, Mr Ruud Lubbers, the Dutch Prime Minister, tabled a European energy plan partly aimed at helping the Soviet Union cash in on its large gas reserves.

The discussions on EMU saw a *firm commitment* by virtually all member states to the single European currency and central bank outlined in the blueprint drawn up last year by Mr Jacques Delors, President of the European Commission.

President François Mitterrand of France also suggested that the conference on political union, which will run in parallel with the deliberations on EMU, should set itself the same target date of December 1992 to complete its work. *Today's* summit communiqué is to contain this deadline, which was foreshadowed at the EC summit in Dublin in April dealing with unity between the two Germanys.

For the first time, an outsider, Mr Lothar De Maizière, the East German Prime Minister, attended an EC summit lunch. Ahead of his country's impending incorporation into West Germany, and the EC, he held bilateral meetings with several EC leaders, including Mrs Thatcher.

Adopting a conciliatory, if distinctly sceptical tone, Mrs Thatcher called for serious consideration of Britain's proposals for the development of the European Currency Unit (Ecu) as a parallel currency. That would bring closer integration while allowing governments to maintain their independence over monetary policy.

The plan was received politely by other heads of government but drew a largely *sceptical response. Mr Mitterrand* insisted that it should not distract from the goal of a single currency favoured by the majority.

Mr Haughey read the UK plan calling for a European Monetary Fund to manage a hard Ecu as positive and meaning that "we can accept that the UK has a commitment to EMU, although not along the lines of the Delors plan."

This plan sets out a three-stage move to a single currency.

That view was reinforced by *West German officials*, who indicated that most other nations now agreed that the preparatory work for the EMU discussions had been largely completed, and that the British blueprint had come too late to influence the debate.

Just before a summit press conference broke up Mr Haughey forecast that discussions on South Africa would end in consensus to retain EC trade sanctions, in contrast to Britain's desire to ease them.

Bundesbank optimism, Environment drive, Energy Com*munity plan and other summit* reports and Picture, Page 2

Greek Prime Minister Constantine Mitsotakis (left) and West German Chancellor Helmut Kohl in Dublin yesterday

Penalty of playing second fiddle

By Kieran Cooke in Dublin

IT WAS as if the city was expecting a typhoon. The streets emptied. Offices closed. Pubs shut their doors — after making sure everyone was inside.

There might have been a European Community summit in Dublin, but for 99 per cent of the Irish population there was only one show worth watching. At 4pm yesterday, Ireland strode on to the pitch in Genoa to take on Romania in the second round of the World Cup.

The future of the European Monetary System, the stability of the European Currency Unit, the dates of an inter-govern*mental conference: down in the closeted* EC arena at Dublin Castle, Europe's leaders trudged through the Eurospeak.

But outside, hysteria was building up over "the match." Jacques Delors? What about Jack Charlton, the English-born manager of the Irish team?

There were more than 1,000 journalists at the summit, but attendance at afternoon briefings was well down.

Events at the summit became a little cloudy. Even the most committed Eurocrats found it difficult to concentrate as the play went back and forth.

Most of Ireland took the afternoon off. Trading on the Dublin stock exchange dried up. More than 2,000 avid fans paid I£450 ($720) a head to fly out to Italy for the day to see the match.

Mr Charles Haughey, the Irish Prime Minister, might have felt a little hard *done* by. His big EC *moment* and the crowd was looking the other way.

But Mr Haughey knew he had to sit this game out. Rumour had it that runners were keeping Mr Haughey informed of events in Italy as he chatted with West Germany's Chancellor Helmut Kohl, French President François Mitterrand, and the rest, about Europe's future.

Half an hour of extra time and still no goals.

The EC leaders were leaving. Mr Haughey was giving a news conference on the progress of monetary union. The match went to a penalty shoot-out. At four penalties each, Mr Haughey could bear it no longer. EMS and the Ecu were forgotten.

The TV was switched on. Romania missed a penalty. "I can't stand the tension," said Mr Haughey.

Ireland *scored* the decider. The summit, Dublin, and Ireland went mad. Mr Haughey tried to get back to the business in hand. No use.

The EC players trotted off the pitch. The evening belonged only to Jack Charlton and his stalwart men in Italy.

Peking allows leading dissident to leave after secret dealings

By Peter Ellingsen in Peking, Robin Pauley in London and Peter Riddell in Washington

CHINA'S leading dissident, Professor Fang Lizhi, left China yesterday after a year's refuge in the US Embassy in a clandestine operation mounted in the wake of a secret deal between Peking, London and Washington.

Professor Fang and his wife, Professor Li Shuxian, were put on a special flight to London after being issued "a visa on request" by UK diplomats.

Professor Fang, 54, an astrophysicist of world renown, and his wife had been invited to pursue his academic career in Britain by the Royal Soviety.

The couple took refuge in the US embassy in Peking on June 5 last year – a day after the Communist leadership sent troops and tanks into Tiananmen Square to crush demonstrations. They were accused of "crimes of counter-revolutionary propaganda and instigation," offences which are tantamount to treason.

Thousands involved in 1989's uprising are believed to remain in custody without trial.

Professor Fang and his wife will initially stay in Britain for six months, but the Foreign Office said yesterday this might be extended. They are understood to have accepted an offer to live in Cambridge where Professor Fang will take up an academic research post at the university.

The decision to let the couple leave follows protracted negotiations during which Italy and Australia were considered as possible homes for the Fangs. The Chinese authorities have been looking for a way to resolve the problem without losing face.

The impasse was finally resolved by the couple agreeing not to campaign against China from abroad coupled with Britain's agreement to give them a home and an announcement by Peking that the couple were "being allowed to seek medical treatment abroad."

Their release is seen as important for China, strug*gling to regain international* respectability following last June's massacre of demonstrators in Peking.

The release also comes at a welcome moment for the US Government. Mr Marlin Fitzwater, the White House press spokesman, said the "humanitarian action is a farsighted significant step that will improve the atmosphere for progress in our bilateral relations." He added that the US had made no commitments to China.

But the timing is particularly welcome to President George Bush because Congress is debating his decision last month to extend most-favoured nation trading status to China, and the associated low tariffs, for another year.

Mr Bush has faced strong criticism for his policy of keeping open high-level contacts with Peking. He and his advisers have recently admitted disappointment at the lack of progress in Peking over relaxing curbs imposed after the crackdown.

Chinese security men were *still keeping up their watch* yesterday outside the US Embassy in Peking, unaware Professor Fang had long gone.

Background, Page 6

Date set for inquiry into Lockerbie airliner disaster

By Jimmy Burns in London

A FATAL accident inquiry into the 1988 Lockerbie air disaster in which 270 people were killed is to begin on October 1, it was announced yesterday.

Lord Fraser, the Lord Advocate, who is Scotland's senior law officer appointed by the UK Government, said he had reached the view it was "in the public interest" to proceed with the inquiry into the bombing of the Pan American World Airways flight 103.

Ordering the inquiry did not "in any way signify an end of the hunt for those responsible for the murder at Lockerbie," he said.

The inquiry is a procedure under Scots law which has some similarities to a coro*ner's inquest in England. Its* brief is to reach a finding on the immediate causes of the disaster and any "reasonable precautions" which may have prevented it.

The announcement was criticised as insufficient by Dr Jim Swire, spokesman for the British relatives of victims of the disaster in December 1988.

The relatives are calling for a full independent inquiry which could look at wider political and security issues such as the manner in which Heathrow airport and British Department of Transport officials reacted to early warnings of a possible terrorist attack on US airlines.

Dr Swire said: "We believe there is a cover-up of UK security and until there is a full independent inquiry we will continue to believe so."

Mr John Prescott, the opposition Labour Party's transport spokesman, said a fatal accident inquiry would be "totally inadequate" and accused Mr Cecil Parkinson, the Government's Transport Secretary, of attempting a "whitewash" on his department's role in the run-up to the disaster.

Police in Lockerbie last night denied a suggestion by *relatives that the Lord Advo*cate's announcement implied that the criminal investigation was being wound down due to lack of evidence.

Inspector William King said an investigation by 50 officers was "continuing to make progress" *and had included visits* to 52 countries. He could give no indication of when there might be arrests in connection with the affair.

Meeting the challenge of terrorism, Page 12

E Europe in urgent need of help to service new businesses

By William Dawkins, *in Paris*

EAST European countries risk stifling their ability to absorb foreign investment if they do not get urgent help to modernise telecommunications and acquire business services, such as accountancy and management consultancy.

That is one of the conclusions of the first substantial seminar on foreign investment in eastern Europe, organised by the Organisation for Economic Co-operation and Development (OECD).

The seminar warned that the nearly $5bn so far invested in joint ventures in the Soviet Union, Czechoslovakia, Poland and Hungary would continue to produce disappointing results unless those countries *set in place basic infrastruc*ture to support modern businesses.

"Foreign direct investment is no panacea for market reform. . . There are significant constraints. An absence of infrastructure, like basic telecommunications, is creating a dramatic bottleneck, especially in Poland," said one of the 80 experts from the OECD, east European governments, businesses and trade unions at the seminar.

The seminar drew up general guidelines for the 24-nation body, on offering expertise and co-ordinating other international help. These will be the subject of a series of meetings in coming months.

Market management, competition policy and taxation were felt to be the areas where the Paris-based organisation had the most to offer, said officials.

The seminar, organised by the OECD's four-month-old specialist centre on eastern Europe, agreed that the organi*sation's investment codes* should be applied in the region to boost investor confidence and help the process of reform.

These included the OECD code on liberalisation of capital movements, governing foreign investors' rights of establish*ment and the so-called national* treatment instrument, which stipulates that foreign companies should be treated as favourably as domestic ones.

Officials said these codes of business behaviour could be applied immediately and bilaterally, without formal OECD agreement. They also saw a need for legal protection for intellectual property, the lack of which could deter western companies from transferring high technology to the region.

CONTENTS

A Japanese son lights the fire of nationalism under talks with US

Shintaro Ishihara (left) is probably Japan's most maverick politician. An MP of 22 years standing, he has recently emerged as the self-appointed bearer of the torch of Japanese nationalism
Page 4

MARKETS

STERLING
New York close
$1.731 (1.733)
London:
$1.7305 (1.733)
DM2.9025 (2.9025)
FFr9.7475 (9.74)
SFr2.44 (2.4425)
Y268.75 (268.25)
£ index 91.2 (91.2)

GOLD
New York: Comex Aug
$356.2 (352.8)
London:
$353.5 (348.75)

N SEA OIL (Argus)
Brent 15-day Aug
$16.2 (16.125)

Chief price changes yesterday: Page 23

DOLLAR
New York close
DM1.6775 (1.6745)
FFr5.6305 (5.624)
SFr1.4105 (1.4117)
Y155.365 (154.85)
London:
DM1.678 (1.6745)
FFr5.6325 (5.62)
SFr1.4095 (1.409)
Y155.35 (154.75)
$ index 67.5 (67.5)
Tokyo close: 155.62

US closing rates
Fed Funds $8\frac{3}{16}$% ($8\frac{3}{16}$)
3-mo Treasury Bills:
yield: 8.06% (8.002)
Long Bond:
$101\frac{31}{32}$ ($102\frac{22}{32}$)
yield: 8.559% (8.474)

STOCK INDICES
FT-SE 100:
2,398.5 (+20.0)
FT Ordinary:
1,929.4 (+16.4)
FT-A All-Share:
1,179.39 (+0.6%)
FT-A World Index:

New York close
DJ Ind. Av.
2,845.05 (−12.13)
S&P Comp
352.31 (−3.12)
Tokyo: Nikkei
31,124.19 (−570.38)

LONDON MONEY
3-month interbank:
closing $14\frac{7}{8}$ ($14\frac{29}{32}$)
Liffe long gilt future:
Sep $85\frac{31}{32}$ ($86\frac{5}{32}$)

Maggie mutes a martial EC summit tune

By Philip Stephens, Political Editor

THERE WERE no blazing rows. Mrs Margaret Thatcher knows that the public displays of intense irritation with her European partners that used to win her "Maggie triumphs" headlines in Britain's tabloid newspapers are no longer appropriate. Now, they would risk front pages with headlines declaring "Maggie isolated".

So at yesterday's Dublin summit, the British Prime Minister raised not a hint of objection when the European Community set December dates for its inter-governmental conferences on economic and monetary union and political union. Nor did a brief, acerbic, exchange with President François Mitterrand about their two countries' respective economic performances sour a generally cordial atmosphere.

The tensions, however, are still clearly visible just below the surface – inescapable between a leader whose vision remains one of a confederation of sovereign states co-operating freely but only when they need to, and European colleagues who by and large share the federalist vision of Mr Mitterrand.

The tone may have been softer but Mrs Thatcher did little yesterday to disguise the differences. Her presentation of proposals from Mr John Major, her Chancellor of the Exchequer, for the creation of a new "hard" European currency unit as a positive alternative to the Delors prescription for EMU was accompanied by a blunt refusal to contemplate a single currency.

That, she told the summit, might be something to be considered in 20 years or so, but for now finance ministers could not even agree on what would be the main priorities of the Eurofed (European central bank) which was supposed to control such a currency.

On a more positive note, she repeated her commitment to full participation in the European monetary system. She then rather undercut the gesture by reminding the summit how the Bretton Woods system had broken down.

Her contribution on political union was similarly sceptical. Britain was happy to see a much strengthened extension of the existing system of political co-operation, but that had to respect "separate national identities and institutions". It also had to allow for the enlargement of the Community to include in the future the emerging democracies of eastern Europe.

Mrs Thatcher did not find herself entirely without friends. While President Mitterrand called for an end-1992 deadline for a federalist political union, some others could at least agree with Britain that the obstacle remained formidable. The British-educated Prime Minister of Portugal, Mr Anibal Cavaco Silva, shared her more fundamental reservations about the implications for national parliaments.

Mrs Thatcher's stance on the need to lift sanctions against South Africa and her distinctly cautious approach to aid for the Soviet Union were also less distant from her colleagues than some of the rhetoric suggested. But if some in other delegations privately welcomed some of the sceptical caution that has become ingrained in Britain's approach to Europe, it was hard to escape the sense that they will press ahead regardless.

Yesterday, Mrs Thatcher kept her options open; but the hard choices have been delayed rather than disposed of.

European leaders swept along by an irresistible tide

By David Buchan in Dublin

AT LAST it's official: the 12 European Community states will convene in two inter-governmental conferences (IGCs) on political and monetary union within hours of each other in Rome on December 14 and 15.

Such is the air of inevitability that closer EC integration has acquired in recent months that – though these IGCs may have momentous consequences – their formal convening yesterday was quietly procedural. There was only a flash of real debate on the substance between Britain on the one hand, and France and Belgium on the other, in the brief debate on economic and monetary union (EMU).

EC leaders performed as predicted, calling the political union IGC to start in tandem – under Italy's presidency – with the EMU conference that had effectively been decided on a year ago in Madrid.

By contrast, it was only in March that talk of writing new political reforms into the EC treaties first surfaced. But yesterday all EC leaders, including Mrs Margaret Thatcher, were able to accept the something-for-everyone agenda prepared by foreign ministers.

This document (a list of questions rather than answers) will serve as the basis for the Rome negotiations, though foreign ministers will continue churning over the subject matter through the autumn.

Stating that the Community must respect members' national identities by doing at the EC level only what is best done there, the document also calls for negotiation on:

- better democratic control of the EC's workings by possibly extending the European Parliament's amending power (as stressed by Chancellor Helmut Kohl yesterday), while also trying to involve national parliaments more (emphasised not only by Mrs Thatcher but also by Mr Poul Schlüter, the Danish premier);
- greater efficiency by, among other things, beefing up the powers of the Commission and the Court of Justice to ensure member states apply the EC laws they pass;
- a higher international profile for the EC, perhaps by welding together the machinery by which the 12 make traditional EC policy (on trade, for instance) and co-operate on other foreign policy aspects (security).

The overriding question in all this is whether the EC moves towards a federalism (implying a single, if decentralised, system of government) or back towards a standard inter-governmental organisation.

The outcome is anything but clear, with President Mitterrand yesterday calling on the EC to push towards its "federal finality" but also claiming for the European Council (the summit organisation of the 12 states) the "motor" role of further integration.

If Mrs Thatcher has an ally in the political debate, it is now Mr Anibal Cavaco Silva, the Portuguese premier, who backed her yesterday in demanding respect for national identities and saying the European Parliament should not be allowed to run ahead of the Council in getting new power.

But in the EMU debate, where she has greater need of allies, Mrs Thatcher has none. Only two leaders, Mr Mitterrand and Prime Minister Wilfried Martens of Belgium criticised her plan for a "hard Ecu" as falling well short of real monetary union.

Accused by Mrs Thatcher of hooking the franc to the D-Mark and therefore getting low inflation but high unemployment, the French president bridled and said Mrs Thatcher had clear "ulterior motives" in trying to derail monetary union with her Ecu plan.

"I have never been accused of anything so subtle as that, being so direct, outward-going and frank," she responded.

Guests at the top table: East Germany's Prime Minister Lothar de Maizière (centre) and his Foreign Minister, Markus Meckel, with Irish protocol chief, Thelma Doran

Energy Community proposed

By David Buchan

DUTCH Prime Minister Ruud Lubber yesterday sprang on his fellow EC leaders a surprise proposal for a European Energy Community, designed to help the Soviet Union financially and give western Europe access to its huge fossil fuel reserves.

The essence of the scheme would be a "European" concession system which "could provide political safeguards for the transport of products and sales across national borders, thereby ensuring access to both reserves and markets", according to the Lubbers plan.

The plan, due to be discussed later during the two-day Dublin summit, is tied into the Dutch Government's idea that Soviet gas could be stored in its ample gas network to serve as commodity collateral for western loans to the Soviet Union.

A senior British official described the Dutch energy community scheme as "interesting, because it accords with what we have been saying about the Soviet Union having untold resources but difficulty in unlocking them".

Energy integration between both halves of Europe, claimed Mr Lubbers, "could politically serve the same purpose" as the European Coal and Steel Community set up in 1952 to bind the ancient enemies, France and West Germany, together.

It would also give western Europe more access to environmentally-undamaging Soviet gas, while diversifying its sources of energy supply away from the Middle East.

Dutch officials say Gasunie, the joint venture between Shell and Esso, has long wanted to get access to Soviet gas, now that Dutch gas fields are running down and given that Norwegian gas reserves are less than those of the Soviet Union.

Drive to protect environment

By Philip Stephens

EC LEADERS will today commit themselves to step up efforts to protect the environment, with a lengthy statement of principles to guide further EC legislation.

The statement, discussed yesterday, calls for a range of directives to curb dangerous emissions, stop pollution, and improve disposal of hazardous wastes. But it eschews any new EC-wide targets for emissions of the chief pollutants – CFCs and CO2, which threaten the ozone layer and stimulate global warming.

In a call for faster decision-making on environmental law, the declaration says the forthcoming Inter-governmental Conference on political union should consider extending majority voting to "green issues".

For the short term, it urges the Environment Council to move quickly to implement directives on motor vehicle emissions, protection of natural habitats, pollution by nitrates, and disposal of waste water. These should be followed by directives on trans-frontier shipment of hazardous waste, ecological labelling, emissions from diesel engines and carbon dioxide emissions.

The EC should lead in promoting adoption by the UN Conference on Environment and Development of a "comprehensive code" guaranteeing the right to clean air, unpolluted waters and clean food.

E Germans face tough decision as unity nears

By Leslie Colitt in East Berlin

EAST GERMANY'S 16m citizens are torn between consumption and resignation with less than a week to go before monetary union and the introduction of the Deutschmark.

Newspapers are filled with adverts from western companies offering cars, furnishings and home electronics on "easy" terms. Record numbers of East Germans in the south are being lured to the first western car show at the Leipzig Fair. Used car sellers in West Berlin report that their lots have been cleaned out by those from the east, some with western bank loans.

But for every East German prepared to go into debt to make major purchases in the west, many more are reacting cautiously to the advent of the consumer era. A random survey of East Germans on East Berlin's Unter den Linden boulevard last week showed that most were planning to save as much as possible of their first D-Mark income next month. Expectations of sharp price and rent rises and fear of unemployment were the main reasons offered.

Mr Richard Stotz, a 49-year-old East Berlin teacher, said he and his friends would have to scrimp for some time to make ends meet. He felt "cheated" about getting his previous monthly salary of East German Marks 1,200 paid in D-Marks from now on, as price rises would lower its purchasing power.

His pessimism was shared by the German Institute of Economic Research in West Berlin which said in a recent study that many East Germans would suffer a loss of buying power after monetary union.

Mr Holger Thoms, a 25-year-old, agreed that his fellow citizens would have to turn over their D-Marks twice before spending them. Many East Germans saved in the past to purchase a car and furnishings which were extremely expensive and now save because of job insecurity. Mr Thoms was optimistic about the future, though, and planned to open a dancing school combined with a bar and sports shop.

But one East Berlin political scientist who did not wish to [illegible] many new entrepreneurs would not survive long.

"They don't know what competition means. People in private business here made a fortune because there were so few of them," he said.

Ms Ina Eisblätter, a magazine editor in East Berlin, said her greatest concern was that citizens were left helpless by the state, which for more than 40 years had done the thinking for them.

Ms Eisblätter said that few East Germans would end up in leading positions of authority in the new Germany.

Berlin presses claim as capital

By David Goodhart in Bonn

THE MAYORS of East and West Berlin yesterday came to Bonn to make a joint claim for Berlin as capital of a united Germany as poll evidence starts to indicate that initial popular enthusiasm for such a move has dropped to a slim majority.

Mr Walter Momper, West Berlin's mayor, said that a commitment to Berlin as the capital should be included in a second State Treaty, likely to be signed before the end of the year.

There should then be a two to three year planning period after which the Government and some ministries could swiftly move to Berlin to be followed, over a five year period, by all other relevant groups.

Mr Momper dismissed the idea of splitting the functions of a capital between Bonn and Berlin and also rejected cost estimates of DM100bn ($59.5bn) for the move as "far too high."

He did not, however, provide any cost estimates of his own and repeated that the enormous costs of bringing the two sides of the city together required a long delay in phasing out West Berlin's DM13bn a year in direct subsidies.

Mr Tino Schwierzina, of East Berlin, said East Berlin alone would have a DM1.2bn deficit in the second half of this year and a DM6bn deficit for 1991. Similar financing problems, on a smaller scale, will be repeated all over East Germany, according to Mr Momper.

Mr Schwierzina emphasised the symbolic importance of making Berlin the capital for the people of East Germany, who could therefore feel they were bringing something to the union.

Mr Momper added that most foreigners assumed Berlin would become capital and that most reservations were expressed by those in Germany who have most to lose from the move.

Bundesbank optimistic as monetary union nears

By Andrew Fisher in Frankfurt

WEST GERMANY'S Bundesbank yesterday presented a highly optimistic assessment of the country's economy and made clear that it saw no need for an early rise in official interest rates to combat the uncertainties of currency union with East Germany.

The central bank said the West German economy had now taken over a leading role in the growth process of the western industrialised countries. "Together with other continental European economies and Japan, it [the West German economy] forms a counterweight to the more weakly expanding countries of the Anglo-Saxon area."

With the introduction of the D-Mark into East Germany less than a week away, the Bundesbank emphasised in its monthly report that the stability-oriented budget and monetary policies of the past few years would have to be continued in a credible manner.

The bank had kept its monetary stance unchanged this year, refraining from raising its discount and Lombard rates after October's increases to 6 and 8 per cent respectively.

Thus, the central bank added, interest rates now appeared to be at levels which should largely be able to absorb the risks to stability arising from the demand and cost trends in Germany, as well as the economic imponderables of German unity.

The Finance Ministry estimated that West and East German borrowing next year could total some DM93bn ($55bn). This would comprise DM53bn by the West German federal, state and local authorities, DM14bn for the East German budget, DM10bn for the state industrial holding company and DM31bn for the Unity Fund channelling money to the East German economy. Offsetting this would be the DM15bn surplus on West Germany's social security fund.

Solidarity opposes price rises

By Christopher Bobinski in Warsaw

SOLIDARITY yesterday told the Polish Government it was opposed to big price rises for domestic heating, energy and gas planned for July 1.

The opposition to the price rises, stemming from fears of inflation follows a series of votes against the measures by many of Solidarity's regional committees.

The move comes amid a controversy surrounding the accusation by Mr Lech Walesa, the Solidarity leader, that the Government is proceeding too slowly with reforms. He also says the government is keeping on too many officials linked with the former Communist regime.

On Sunday, a contentious meeting of the national Civic Committee, an advisory body to Mr Walesa, saw the resignation of over 50 supporters of Government policies.

The first five months of the year have seen real incomes fall by 35 per cent, according to the Government's Statistical Office, and Solidarity is afraid that the planned price rises will spark industrial unrest.

Athens moves to end obstacles to capital market

THE Greek Government yesterday unveiled a law that combines new investment incentives with measures to remove bureaucratic obstacles to development of a full-fledged capital market, writes Kerin Hope in Athens.

Mr George Souflias, the Economy Minister, said the 287-page bill, due to pass in Parliament next month, would "establish a new philosophy and new rules for flexible functioning of the economy."

The conservative Government elected in April has come under pressure from the European Commission to balance its earlier efforts to reduce a record budget deficit with an economic package encouraging development.

The new legislation revamps a 1982 incentives law which failed to attract big foreign investors.

Under the revised law, incentives will focus on investments involving new technology, renewable energy, and infrastructure for a more sophisticated tourist industry, such as golf-courses, conference centres and marinas.

Outright grants are to be reduced, but tax breaks of up to 50 per cent will be allowed on reinvested earnings. Procedures for approving investment proposals must be completed within four months, while companies entering the Athens stock exchange will be eligible for bigger grants.

In addition, the Greek state's monopoly on telecommunications development is to be lifted; shipping companies will be permitted to join the bourse; and nationals of other European Community countries will be able to buy property anywhere in Greece, ending the current ban on real estate purchases in border areas.

The law also lays out procedures for privatising or closing 40 heavily indebted industries under state control.

Peugeot chief criticises efforts to help low-paid

By William Dawkins in Paris

THE French Government's efforts to help the low-paid, currently one of its its top political priorities, yesterday came under criticism from the head of the country's largest private company.

Mr Jacques Calvet, chairman of Peugeot, which also makes Citroën cars, accused the Government of "intrusion" on wage decisions, which he said were "an area of responsibility for heads of companies".

Addressing a conference on sharing the rewards of economic growth, organised by the CNPF employers' federation, Mr Calvet said French business should concentrate more on attacking commercial challenges than "good sentiments" such as the European social charter, low wages, or cuts in working hours.

Mr François Mitterrand, the French President, recently warned employers to open talks on low pay, or face government intervention.

Mr Calvet's remarks come at a time when the Government is expected to give a bigger-than-usual boost to the Smic, the statutory minimum wage, to head off criticism that France's economic prosperity has been accompanied by greater social inequality.

Employers are concerned that such an increase could have a knock-on effect on pay up the scale, though only a small proportion of workers are on the minimum wage.

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EUROPEAN NEWS

Lithuanians consider freeze of independence declaration

By Leyla Boulton in Moscow

LITHUANIA'S parliament today considers whether to freeze its independence declaration temporarily in return for secession talks with Moscow.

No quick decision is likely because of public suspicion of the Kremlin, according to officials in Vilnius, the capital.

Under a compromise proposed two weeks ago by President Mikhail Gorbachev, Lithuania would need to suspend its declaration only for the duration of negotiations.

"The proposal will be neither rejected nor approved," predicted Mr Vytautas Katilius, deputy editor of Gymtasis Krastas, a pro-independence newspaper. "In principle, people see the need for some sort of compromise, but they won't accept a moratorium without some guarantees from Moscow, and there are none."

Sajudis, the pro-independence movement which claims the loyalty of two-thirds of parliament's deputies, has already come out against any suspension of the declaration. But a spokeswoman said yesterday that it was not clear how deputies would vote.

Professor Kazimieras Antanavicus, the social-democratic chairman of parliament's economic affairs committee, said he believed deputies would eventually accept a compromise.

"I think that after long discussions, debates and arguments, the parliament will accept the formula of a moratorium because there is no other way out," he said in a telephone interview.

Professor Antanavicus, who said half his Sajudis colleagues supported a deal, dismissed fears that the proposed moratorium was a dangerous trap.

"A moratorium is not binding and if Gorbachev and the Kremlin deceive us, we will reap a dividend from this," he said. "Whereas if we do nothing, we will be the ones to look awkward in the eyes of the world."

Lithuania's leadership, cautiously supporting the proposal in public, has also demanded an immediate end to Moscow's crippling economic sanctions.

Mr Romualdas Sikorskis, the Finance Minister, was quoted as saying that Moscow's embargo had cost Lithuania more than Rb100m. Mr Nikolai Ryzhkov, the Soviet Prime Minister, has said the blockade would be lifted as soon as negotiations started.

Illustrating the hostility of some Lithuanians towards any deal with Moscow, one radical slogan daubed outside the parliament building last week suggested the Lithuanian government was under orders from the KGB and the Soviet Communist Party.

Romania's ethnic Germans seek opportunity in the west

By Owen Bennett-Jones in Bucharest

MORE than a quarter of Romania's centuries old ethnic German community has left the country for the Federal Republic in what amounts to a massive vote of no confidence in its newly elected government.

Hundreds, even thousands, more Germans hoping to secure visas, gather daily outside the embassy in Bucharest. "I expect that by the end of 1991, 80 per cent of the 200,000-strong German population will have left," says Mr Klaus Brambach, an official in the West German Embassy.

The Romanian Government is anxious to stem the flow of one of the country's more educated minorities. Mr Adrian Motiu, the Secretary of State with responsibility for minorities, believes that the exodus can be reversed.

He stresses that the Germans started to leave under the Ceausescu regime and argues that the blame for the Germans' desire to leave lies with the former dictator. "The post-revolutionary government is co-operating with the West German Government to create financial conditions which might persuade the Germans to stay," Mr Motiu said.

But so far the two governments' efforts have been in vain. The village of Bertam, outside the Transylvanian city of Sibiu (Hermannstadt as the Germans call it), used to be the home of 900 families. Since the revolution 800 of those families have emigrated. The remainder now feel so isolated that they too are considering leaving.

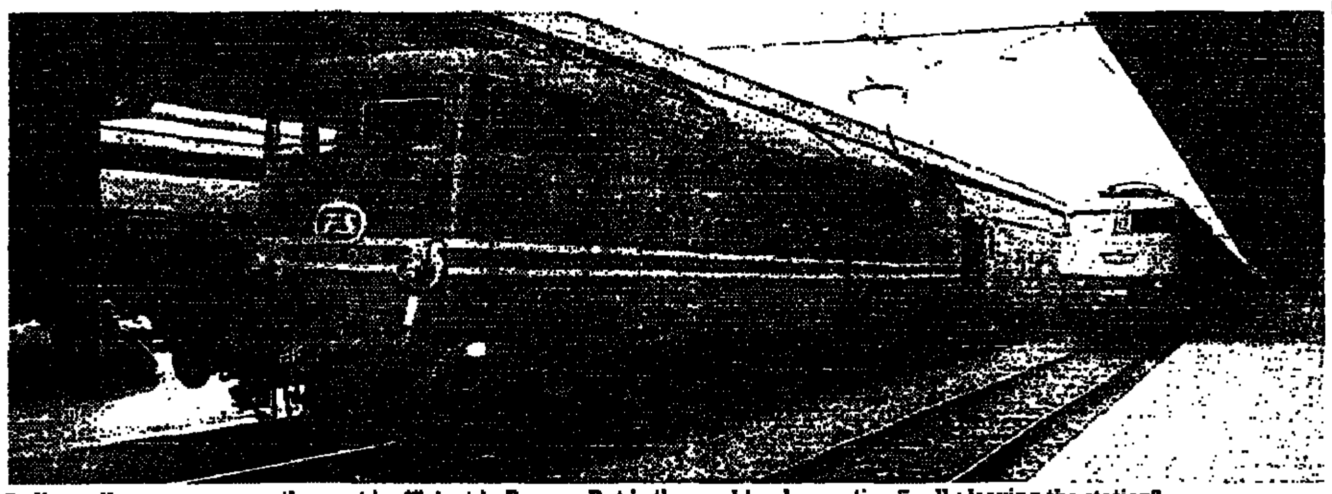
The Germans who are going give different reasons for their decision. Many had already applied to leave under the Ceausescu regime but it is only now that they have a good chance of getting a visa. Most already have relatives and friends in West Germany. Others say that they don't believe that democracy is assured in Romania.

Few admit that they are seeking only a better standard of living but there is no doubt that secretly many Romanian Germans yearn for opportunities West Germany provides.

There are two significant German populations in Romania. The Swabian Germans came 250 years ago and live in the Banat, an area in south-western Romania. But the Saxon Germans who live in Transylvania have been in Romania for 850 years. The Germans have traditionally enjoyed good relations with the majority Romanian population.

Non-governmental groups in West Germany are sceptical that the emigrants realise how difficult life will be in the West. Helga Bimenberg works with a West German Protestant church group trying to forge links with German churches in Romania.

She believes that many Romanian Germans will be disappointed with their new life: "They have given up their communities and their homes and many are finding it difficult to establish roots in West Germany."



Italian railways are among the most inefficient in Europe. But is the creaking locomotive finally leaving the station?

Blocked lines on Italy's railways

A new man is about to take over the driver's seat. His predecessor's achievements are examined by John Wyles

ANYONE SEEKING the most perfect symbol for the inefficiencies, waste, politicisation and corruption of Italian public administration need look no further than the Ferrovie dello Stato (FS), the Italian national railways. By one means or another, the FS consumes around L15,000bn ($12,19bn) of taxpayers' money a year, offers a mediocre service except for inter-city express, is highly bureaucratised and crudely exploited by politicians.

The absence of any convincing strategy over several decades is why the railways have a much lower share of the transport market for people (13 per cent) and goods (12 per cent) than its equivalents elsewhere in Europe. Its costs and inefficiencies are a crucial structural handicap for the Italian economy which every independent analysis suggests will be an awkward penalty at the opening of the European Community's new internal market.

Mr Lorenzo Necci, the former president of Enimont, the troubled public-private chemicals industry joint venture, is about to step into this quagmire. He succeeds Mr Mario Schimberni, whose "company doctor" reputation was forged by his turnaround of the Montedison group.

Mr Schimberni's "temporary" appointment in November, 1988 – he accepted the post of special administrator for three months and stayed 18 – was a signal that the Government wanted a professional, market-oriented approach to railway management. Mr Necci's succession would seem to sustain the commitment.

But signals are one thing in Italy, political realities another. Because the coalition parties were unable to agree among themselves, the Government has needed more than a year to adopt a draft law establishing the FS as an *ente economico* which promises management a greater freedom from political control.

However, it is by no means clear that this principle will survive parliamentary assaults by politicians for whom the railways are a source of public patronage and private convenience (like the Rome-Milan sleeper service which makes a detour on political request to Genoa, and other services specifically designed to deliver parliamentarians to and from the capital). Until the new law is passed, which will take many months, the FS will continue to be run by a special administrator subject to almost daily interference by the Transport Minister and his officials. Mr Necci's inheritance, however, is far better than Mr Schimberni's because the latter can argue, with some justice, to have at least laid the foundations of a more market-oriented organisation.

When he was invited to step in by the then Prime Minister, Mr Ciriaco De Mita, the railways' management was on its knees with its president, Mr Ludovico Ligato (subsequently murdered last summer, probably by the Calabrian mafia), and most of its board having resigned because of corruption investigations.

Mr Schimberni says he found a management culture with little sense of the market, and bureaucratic practices which kept mountains of paper in almost permanent circulation, partly to avoid making decisions. In pursuit of a cultural revolution, he insisted that consumers of railway services should be known as "customers" rather than "users," and set about reorganising the management, bringing greater transparency to its relations with suppliers and trying to identify priorities. "I decided that the entire network was under-used by 25-30 per cent and that more and faster services were needed."

But Mr Schimberni found his freedom to pursue his objectives severely limited not only by the Transport Ministry's right to have the last word on most matters of detail, but also by the unions' acquired rights to approve an extraordinarily wide range of management decisions.

For this reason he insists that "getting the structural decisions right" is the key issue. The Government should decide the general direction of railway policy but management must have wide freedom to pursue commercial strategies. During his period in office, Mr Schimberni's efforts have been directed, with only partial success, at winning political approval for a strategy whose first priority was the development of goods traffic.

Above all, Mr Schimberni's argument with the two Transport Ministers with whom he has had to deal – Mr Giorgio Santuz and now Mr Carlo Bernini – has been over the FS investment programmes. He politely refers to the politicians' tendency to build in "social considerations at the expense of efficiency," but the result has been that the Schimberni investment plan has been grossly inflated by his political interlocutors.

In May last year, Mr Santuz accepted a 10-year investment programme of L48,500bn (£26bn) which Mr Schimberni forecast would cut the state's total subsidy by up to 72 per cent at the end of the period. By last November, retouching by the ministry pushed the total up to L59,700bn. By May this had risen to L92,690bn after parliament had bolted on its preferences. The actual figure, including VAT and infrastructure renewal, will probably be closer to a breathtaking, and highly unlikely L125,000bn.

According to Mr Schimberni's analysis, the programme adopted by the Government finishes by favouring passenger rather than goods traffic, pushes up rather than reduces running costs and increases the railways' financial dependence on the state. Obviously, such an approach is incompatible with the broader aim of reducing the public sector deficit and is unlikely to survive the growing pressure on public finances.

More durable, however, are the expected benefits of the recent, highly generous, pay and conditions contract by which Mr Schimberni has bought out the unions' obstructive role in day-to-day management. In conjunction with the early retirement of around 30,000 of the railways' 210,000 employees, he believes that this will yield productivity increases of around 30 per cent over the next three years.

Milosevic fires warning shot over borders

By Laura Silber in Belgrade

THE PRESIDENT of Yugoslavia's biggest republic yesterday warned that the country would fall apart if the present federal system were changed.

In what amounted to a threat to the other five republics, Mr Slobodan Milosevic, the president of Serbia, said that if the federation were changed to a confederation, Serbia's borders would become "an open political question."

His uncompromising comments follow suggestions by Slovenia and Croatia, the two western republics of Yugoslavia, that the republics' rights should be strengthened at the expense of the central federal authorities.

This would weaken the political clout of Serbia, where nationalists and Communists are locked in a bitter battle over the timing of the republic's first, free and multi-party elections.

Yesterday, in his televised address to the Serbian parliament, Mr Milosevic clearly aimed his message at the 2.5m Serbs who live in the western republic of Croatia and the central republic of Bosnia-Hercegovina.

He said: "In the event of changes (to the federal system), Serbia would have to be an independent state." Liberal Serb intellectuals interpret this as attempts by the leadership to expand its borders to those regions which include Serbs.

In an attempt to rally Serbs around him, Mr Milosevic proposed a republic-wide referendum "for citizens to take a stance on the new constitution which is the only way to guarantee the equal rights of all citizens in Serbia."

The new constitution, while paving the way for multi-party elections, would at the same time, curb even further the autonomy of the provinces of Kosovo and Vojvodina.

In the event, if both provinces were reintegrated fully in Serbia, the votes of both provinces would carry little weight and might help Mr Milosevic retain power.

WORLD TRADE NEWS

Japan, US still at odds in trade impediment talks

By Robert Thomson in Tokyo

JAPANESE and US negotiators were unable to settle outstanding disputes yesterday in what is intended to be the last round of bilateral negotiations to remove "structural impediments" to trade.

The first day of the scheduled two-day Structural Impediments Initiative (SII) talks was devoted to the US list of complaints about Japanese policies, but a member of the US delegation said none of the most important issues had been resolved last night.

Today's talks are due to be given over to Japanese suggestions for US reforms to increase the country's competitiveness and reduce a $49bn (£28.5bn) bilateral trade deficit, though US proposals will again be the centre of attempts to draft a final SII report.

The US delegation official said that disputes remained on Japanese policies on land use, public investment, corporate groupings, and pricing mechanisms, all of which have been targeted as structural barriers to balanced trade.

Two hours were spent debating an increase in Japan's planned public investment over the next decade, with US officials insisting that Japan should use a percentage of GNP as a target.

Japanese negotiators argued that such a fixed target would reduce economic policy flexibility and could contribute to inflation.

"We have never encouraged any government to adopt policies that would increase inflation," the US delegation official told a press briefing.

He said the point of the public investment increase was to improve infrastructure, and to bring savings and investment levels more into balance. US officials rejected a Tokyo proposal to spend Y415,000bn over the next 10 years, though it is likely that a figure of about Y460,000bn will be eventually accepted as a target.

Japanese and US officials characterised yesterday's talks as "constructive", but there were indications that the meeting could extend beyond the scheduled two days and that there could be difficulty in producing a final report to present to the Group of Seven summit next month.

Asked if a possible increase in the US bilateral deficit later this year could prompt the US Congress to presume that SII was a failure, the US official said that such a response would be a "shame" because the changes introduced by the talks would be more clearly seen in two to three years.

He emphasised that the SII talks, which began last September, were a "two-way street", and that the US would respond positively to the Japanese suggestions expected today on US corporate behaviour and the budget deficit.

Italy bank loans for China

HONG KONG-based Italian banks are resuming export credit loans to China after approval from Rome, bankers say, Reuter reports from Hong Kong.

Credito Italiano, majority-owned by the Italian Government, plans to provide export credit lines to two Chinese state-owned banks. An Italian state subsidy scheme, including export credits and soft loans through Italian commercial banks, was frozen after the Tiananmen massacre last June. Some Chinese industrial projects were halted because the factories involved could not import Italian equipment without export credit loans.

Credito Italiano is handling a $25m credit line to the Shanghai-based Bank of Communications, and one for $100m to a state-owned bank. Two Chinese steel plants are expected to receive Italian subsidies to import equipment soon. Banca Nazionale Del Lavoro is lead-managing a loan to the Tianjin Seamless Steel Tube Plant, with Banca Commerziale Italiana lead-managing the Anshan Seamless Steel Tube Plant loan.

Third World in bid to lift curbs on workers

DEVELOPING countries moved yesterday to ensure the General Agreement on Trade in Services (Gats), under negotiation in the Uruguay Round, will let foreign workers enter industrialised countries on a temporary basis, to work on construction sites, in hotels and restaurants or supply other labour-intensive services, William Dullforce reports from Geneva.

Five Latin American countries – Argentina, Colombia, Cuba, Mexico and Peru – together with Egypt, India and Pakistan, tabled a draft text of an annex on the temporary movement of services personnel which they proposed should be added to a Gats framework.

In general, it aims at stopping immigration regulations acting as "an unnecessary barrier" to trade in services.

Industrial nations would have to let services companies from developing countries operating within their borders draw workers from their home bases under time-limited contracts. Governments would not apply labour certification tests or prior approval procedures to such personnel.

Under the proposed annex, services companies from advanced nations would be able to recruit personnel from "the source economically most advantageous" to them – in other words, developing countries.

The drive to liberalise the $600bn (£350bn)-a-year world trade in services has come from the US and other trading powers eager to force open markets for their bankers, insurers, computer companies, and other purveyors of sophisticated services.

In return, developing countries have argued the Gats should open the way for expanded exports of the more labour-intensive services in which they have advantages but where immigration controls offer obstacles.

This type of liberalisation would benefit, for instance, Korean, Pakistani and Philippine contractors or guest workers in European restaurants and hotels, but would also apply to people providing professional or management services.

A Japanese son rises against Washington

Stefan Wagstyl on an outspoken nationalist who loves being 'devil incarnate' to the US

MR SHINTARO Ishihara introduces himself with typical flamboyance: "I am the notorious Ishihara, Japan's devil incarnate as they call me in the US. And I love it."

Mr Ishihara is probably Japan's best-known maverick politician, an MP of 22 years standing. He has emerged in the last year, courtesy of one co-authored book and a lot of public speaking, as Japan's most notorious US-basher.

With the two countries this week entering the final round of the umpteenth version of do-as-you-would-be-done-by talks, otherwise known as the Structural Impediments Initiative, it came as no surprise that Mr Ishihara has taken the opportunity to light some nationalist fire under Japan's foreign policy.

He announced a list of 109 demands which Japan should make of the US in return for the economic reforms the US has insisted of Japan.

Top of his agenda is a demand that the US commit itself to spending 5 per cent of its gross national product on education – which mirrors Washington's request for Japan to raise its public investment budget to 10 per cent of GNP. His list also contains proposals for minimum age-limits for credit cardholders and reductions in the operating hours of bank cash machines to discourage consumer spending, plus Japanese-style neighbourhood police boxes to cut crime.

He has not, of course, changed the view of the ruling Liberal Democratic Party and of the Japanese public that there is merit in the US-Japan alliance as the cornerstone of Japanese foreign policy.

However, he does strike a chord with those Japanese who think their government is unwilling to stand up to Washington. They include a small minority inside the LDP, where Mr Ishihara can count only 16 supporters in parliament. But his personal popularity, not to mention his skill as a self-publicist, guarantee a wide audience.

He leapt to international prominence last year with the publication of a book, The Japan That Can Say No, written with Mr Akio Morita, the founder of Sony, the electronics company. It is a sweeping attack on US attitudes to Japan. Mr Morita, worried about his reputation in the US, has since had second thoughts about the book.

The Ishihara view is that Japan must come out of American tutelage and become more assertive in the world. At a press conference last week, he said Japan had once again to engage in nationalism. The country had to be "national" before it could be "international", said Mr Ishihara in a characteristically vague flourish.

Racial arguments permeate his thinking. In his book, he claims the only reason the US dropped the atom bomb on Japan, and not on Germany,

Ishihara: says the unthinkable

was the Americans' "racial attitudes".

"It is my firm conviction that the roots of the US-Japan friction lie in the soil of racial prejudice," he wrote.

Technological progress, he goes on, gives Japan the opportunity to assert itself politically. Japanese microchips are essential for modern weapons. "The more technology advances, the more the US and the Soviet Union will become dependent upon the initiative of the Japanese people."

Now 59, Mr Ishihara enjoyed early fame as a best-selling novelist while a student. He revels in his public image – part-politician, part-artist and part-playboy. He loves yachting, scuba-diving and tennis and being photographed with television and film stars.

Since entering politics in 1968, he has not allowed membership of the ruling Liberal Democratic Party, which is conservative, to blunt his populist edge. He was one of the first Japanese politicians to support radical economic liberalisation, including of rice production.

"Nobody listened then," he said, "but when the Americans say something everyone listens. It is pitiful."

This radicalism has kept him on the fringe of the LDP inner circle. But he is still seen as a party asset, since he can get away with saying publicly what many of his peers think privately.

Even the Japanese establishment, though it is repelled by his extremism, can acknowledge that the Japanese international presence needs a clearer identity. Thus the ultimate mandarin, Mr Toyoo Gyohten, a former senior finance ministry official, wrote earlier this year: "The thing that concerns me most is the fact that, for all its national strength, Japan still has not acquired the sort of 'national personality' that would make the nations of the world accept her as one of themselves."

Mr Ishihara is not as good at backing up eye-catching pronouncements with facts. When proposing that the US should raise education spending to 5 per cent of GNP, for example, he was unable to put a figure on the current ratio (it is 4.1 per cent). Few scientists agree that Japan is already ahead of the US in technology, or businessmen that US is no longer "the world's number one industrial power".

Nor does he help his cause much by his continued belief in Japanese superiority over other Asian countries. In his book, he wrote that the economic success of South Korea and elsewhere owed something to Japanese colonisation. "We are aware that some negative things happened under Japanese administration but it cannot be denied that many positive changes were left behind."

Not all his ideas are neanderthal nationalism and some of his policy prescriptions for the US echo contemporary American thinking. Nor does Mr Ishihara advocate the scrapping of the US-Japan Security Treaty, the basis of bilateral relations for the past 30 years.

However, he believes Japan needs to be more militarily independent, by spending less on American troops in Japan and more on its own forces. But he wants Japan to stay within the framework of US regional and global strategy.

The trouble is that while he stays inside the mainstream on some issues he swims in deep rhetorical waters on others. Even some of those Japanese who most admire Mr Ishihara, have to admit that they do not quite trust him.

And even those Americans who might agree that their children's education leaves something to be desired, are likely to bristle at the suggestion that unfettered access to their bank accounts is against the national interest.

EC fortress 'would forfeit $52bn in economic output'

THE European Community would forfeit more than 1 per cent of its gross domestic product or $52bn (£30.23bn) in economic output if it decided to become protectionist and turn its 1992 single market into a trade fortress, according to a new Australian study, Peter Montagnon writes.

The study, by Mr Andrew Stoeckel, an applied economist from the Centre for International Economics in Canberra, suggests the EC would be the largest loser from any protectionist trend in Europe.

Imports would become more expensive and European companies would lose competitive edge because of the higher cost of imported inputs, the study says. Other regions would lose too as a result of European trade barriers but their losses would be smaller, being confined to $16bn in the Asia-Pacific region and $40bn in North America.

Commissioned by the Confederation of Asia-Pacific Chambers of Commerce, the work uses a model of the world trading system to trace both the immediate and the knock-on effects of trade restrictions.

Though the study is based on subjective assumptions about the impact of such moves and largely ignores the potential gains from liberalising trade in services, it gives a rare insight into the magnitude of changes in economic performance which would follow from the policy options facing the EC and the US.

Among its conclusions are that the EC stands to gain significantly in its own right from the single market, but the extra benefit that will accrue to the US would be small, and Japan could even lose marginally because of the extra competition it would face from EC companies.

Trade liberalisation by the EC over and above implementation of the single market – defined as a 50 per cent reduction in tariffs and in non-tariff barriers – would add $117bn, or 2.5 per cent of its 1988 GDP, to its economic output. North America would gain $31bn and the Asia-pacific region $9bn.

By contrast, the outlook would be bleak for all parties if the EC were to turn protectionist and the US to retaliate with restrictions of its own.

The EC would then lose $132bn in output, North America $64bn and the Asia-Pacific region $18bn.

Even if Europe became a fortress, the US would do better to pursue its own liberalisation, once again by cutting tariff and non-tariff barriers, the study suggests. North America would derive net gains of $53bn, the Asia-Pacific region $38bn and the EC $42bn.

By far the greatest gains to the world economy would come from a joint effort at liberalisation by the two trading powers. This would add almost $400bn to world output, with over half accruing to the EC.

Western Trade Blocs, by Andre Stoeckel, David Pearce and Gary Banks; pp 120. Available for a handling charge of A$10 from Centre for International Economics, GPO Box 2203, Canberra ACT, Australia 2601.

FT LAW REPORTS

Husband makes gifts to avoid judgment debts

MOON AND OTHERS v FRANKLIN AND ANOTHER
Chancery Division:
Mr Justice Mervyn Davies:
June 20 1990

GIFTS MADE by a husband to his wife in circumstances in which it is inconceivable that he could have had any purpose other than to avoid possible judgment debts, may be frozen by the court for the protection of claimants pending judgment, to the extent that they are still ascertainable in the wife's hands.

MR JUSTICE MERVYN DAVIES so held on a claim by Mr Peter Moon, his wife, Mrs Angharad Moon, and a company under their control, Professional Personnel Consultants Ltd (PPC), for relief under the debt avoidance provisions of the Insolvency Act 1986, against Mr Arthur K Franklin and his wife, Mrs Molly Franklin.

Section 423 of the Insolvency Act 1986 provides: "(1)This section relates to transactions entered into at an undervalue; and a person enters into such transaction... if (a) he makes a gift... for... no consideration... (2) where a person has entered into such a transaction, the court may... make such order as it thinks fit for (a) restoring the position... (b) protecting the... victim... (3)... an order shall only be made if the court is satisfied that it was entered into by him for the purpose (a) of putting assets beyond the reach of a person who is making... a claim against him..."

HIS LORDSHIP said that the Moons were personnel consultants. Some of their business was carried on through PPC which they controlled.

Mr Franklin was a certified accountant. He attended to the Moon's business accounts from 1979 until July 22 1986. After October 31 1983 he carried on his business through his own company.

On August 15 1985 the Inland Revenue raided Mr Franklin's office. Files and papers were taken away. In 1988 he was convicted of various offences. The conviction was followed by a 12 month sentence which had now been served.

The Revenue, when investigating Mr Franklin's activities, examined the Moons' accounts. What emerged prompted the Moons and PPC to sue Mr Franklin for professional negligence.

Their writ was issued on October 14 1987. The action would not come on for some months. The sum claimed was in excess of £99,000.

Prior to issue of the writ Mr Franklin had been informed that his insurers were reserving their position under his professional negligence insurance policy in the light of the fact that he was then being sued for negligence in another action by In Focus Promotions. He was facing the criminal charges, the In Focus action, and the threat of action by the Moons. Furthermore, a Mr and Mrs Upton were threatening action. In July 1988 the policy was formally avoided on grounds of material non-disclosure.

On July 1 1987 Mr Franklin sold his accountancy practice for £68,280 immediate payment plus £24,000 to be paid by 12 monthly instalments.

Mr Franklin agreed to make a disposition of £65,000 in favour of his wife. The circumstances in which the payment was made were referred to in letters exchanged between the Franklins. It was curious that the matter was dealt with in correspondence, because they were living under the same roof.

In a letter dated June 26 1987, Mrs Franklin requested some form of payment out of the anticipated proceeds of sale. Mr Franklin replied by letter, "the £65,000 is a gift with no strings attached and is an expression of my gratitude for all the help and support you have given me".

In her reply Mrs Franklin said she would accept the £65,000 but that she would use it to pay off a bank loan and the house mortgage totalling £40,000. Mr Franklin replied: "The gift of £65,000 is for your benefit... but... I would not object provided that you allow me to transfer my share in the house into your name.

Of the £65,000 paid to Mrs Franklin £40,000 was applied to the loans. She was left with £25,000, which was paid into her building society account, of which £5,000 now remained. The house was transferred into her sole name and the mortgage was deleted from the register.

A Mareva order was made against Mr Franklin. On June 12 1989 Mrs Franklin undertook not to sell the house and a flat in Eastbourne bought in joint names in August 1988 until further order, without giving 28 days notice. On February 29 1990 she gave notice that she wanted to sell the house.

Mr and Mrs Moon now applied for relief under Part XVI of the Insolvency Act, headed "Provisions against debt avoidance".

The £65,000 disposition, the transfer of interest in the house, and the purchase of the Eastbourne flat were gifts and were therefore entered into "at an undervalue" within section 423(1) of the Act. Mrs Franklin might believe them to be acknowledgements of loyalty, but if Mr Franklin's purpose was within section 423(3), an order might be made despite her belief.

In evidence Mr Franklin denied that he transferred his interest in the house with the intention of putting his assets beyond the Moons' reach. He said the £65,000 was an expression of gratitude made in circumstances which were apparent from the letters which passed between himself and his wife.

He said that in his view he had nothing to worry about in a financial sense in June or July 1987. He was confident he could dispose of the criminal charges; he regarded the In Focus claim as unlikely to proceed; and was confident he could rebut the Moon claims. He was not worried about the Upton claim. He had supposed he would be able to satisfy his insurers that the policy ought not to be avoided.

He explained the curious feature of correspondence between husband and wife living in the same house, by the fact that at that time they were hardly speaking to each other.

His evidence was not reliable. The court must infer and was satisfied that the transactions were entered into by Mr Franklin for the purpose of putting assets beyond the reach of claimants.

In June 1987 Mr Franklin was about to receive a substantial sum for the sale of his practice. At the same time he knew he was being threatened with action by the Moons, and the In Focus action was current. He knew there was doubt about his insurance cover.

It was inconceivable that in that situation he would find himself able to behave in so generous a fashion to his wife. There was no evidence that he had any other means. It could only be concluded that his purpose was to put his assets out of reach of those who might claim against them.

Mr Maurice for the Moons accepted it would be inappropriate to order Mrs Franklin to restore to Mr Franklin the £65,000, of which £40,000 had been used on the loans. In the building society account only £5,000 was derived from the original £25,000.

In deciding what order ought to be made, the court bore in mind that the Moons' purpose was akin to the Mareva purpose of protection from dissipation; that their application was to be regarded as being made for the benefit of all claimants, not for the Moons only; that there was no reason why the £5,000 should not be preserved to be available for claimants should they succeed in their actions; that Mr Franklin's transfer of his interest in the house ought not to be allowed to stand; and that the Eastbourne flat was derived from monies supplied by Mr Franklin.

The discretion conferred by section 423(2) was wide. The court construed paragraphs (a) and (b) conjunctively and took the view that it might make an order for protecting the interests of the Moons and other victims. There was no reason why it should not make a declaration as well as an order.

The court made declarations that the £65,000 gift and the transfer of interest in the house were made for the purpose of putting assets beyond the reach of claimants.

It ordered that pending the outcome of the Moon's action, £5,000 was to be paid by Mrs Franklin into a solicitor's deposit account; Mrs Franklin was restrained from disposing of or dealing with any legal or beneficial interest in the house; and Mr and Mrs Franklin were restrained from disposing of or dealing with the Eastbourne flat.

For Mr and Mrs Moon: Jeremy Maurice (Cooke Matheson)
For Mrs Franklin: Robert Hantusch (Batchelors)
Mr Franklin appeared in person

Rachel Davies
Barrister

INTERNATIONAL NEWS

Asian little dragon muffles its roar

Peter Wickenden previews a revision of the Taiwanese constitution

Hardliners in Taiwan's ruling Kuomintang Party and independence activists once jailed for sedition are about to sit down to discuss the razing of the island's 40-year-old phantom regime.

Faced with a constitutional crisis and unprecedented KMT strife on the eve of his election in March, President Lee Teng-hui bowed to calls for an emergency national conference. One hundred and forty KMT and opposition Democratic Progressive Party members, academics, business leaders and lawyers, will meet for four days from June 28.

They will discuss changing the Republic of China's sacred Constitution to allow a total reorganisation of congress and the government. Not only could *this allow* complete democracy for the 20m people of Taiwan, but it could also create a new and stronger national identity, and a realistic basis for rapidly-expanding exchange with China. The two are inextricably linked.

Since it was driven off the Chinese mainland by Mao Zedong's forces in 1949, Taiwan's nationalist government has consistently claimed that it is the sole legitimate ruler of China, and would one day "recover" its lost territory.

The communist government *has been regarded as a rebel* regime with which no contact, negotiation, or compromise (Taipei's Three No's Policy) could be considered. After 50 years of Japanese occupation, from 1894 to 1945, millions of native Taiwanese regarded the KMT as a defeated fugitive regime, and have advocated independence for Taiwan at the risk of being jailed for sedition.

To justify its claim to legitimacy, the KMT declared a "Period of Mobilisation for the Suppression of the Communist Rebellion" and drew up a set of "Temporary Provisions" that overruled a democratic Constitution. These provisions give the president wide ranging emergency powers and have frozen all mainland-elected members of parliament in *office until the mainland is* recovered and new elections can be held. Peking, meanwhile, still vows regularly to "liberate" Taiwan, by force if necessary.

Thus for 41 years Taiwan has lived under constant (and real) communist threat, and under the illusion that the glorious counter-attack would soon be launched.

This meant centralised authoritarian rule under martial law for 38 years, no legal opposition parties for 40 years, and increasing international isolation as foreign governments acknowledged that mainland China was not under Taipei's control.

In recent years, however, the tri-cameral congress has seemed to behave like an incompetent crowd of gerontocrats, with young local blood only being injected when a senior mainland member died or retired. Taiwan-elected members, including a small but rude and noisy opposition are still well outnumbered in parliament and the National Assembly, which elects the president.

The truncated democracy in Taiwan, and the island's relations *with China* are thus *two* sides of the same coin. Pressure for a complete overhaul of the system has become intense since per capita GNP began to soar in the 1980's, and restrictions on travel to China were progressively lifted. Taiwanese are now the biggest investors in China (despite Taipei's ban) and they account for at least a quarter of foreign tourists.

President Lee has called the upcoming national emergency conference "an event of huge historical significance." But he has already made the most stunning reform by deciding that the Communists are no longer rebels, and that the communist regime is the government of mainland China.

Just before his election in March, Mr Lee was to be seen on television assuring aged members of the National Assembly that the mainland would definitely be recovered. Six weeks later the entire sham was laid to rest when in his first post-election press conference Mr Lee even referred to China as "The People's Republic".

A mass of related laws and regulations must be revised before the Period of Communist Rebellion *can* be officially declared over and the Peking regime recognised. Mr Lee said it would be done within a year.

The Temporary Provisions can then be abolished, and with them the life tenure of hundreds of aged congressmen who still claim to represent constituencies from one end of the Great Wall to the other.

The main points of debate in the conference will be whether to adopt a cabinet or presidential system of government, and how that government *should* deal with Peking.

So far, a "Taiwan Basic Law" similar to that for Hong-kong, and about three draft Constitutions have been proposed by various groups.

The DPP has come out in *favour of a presidential system*, with the president being elected directly by the people (instead of by the National Assembly). A reduced parliament would be equal to the President, and cabinet ministers would answer to them both.

There would also be an apolitical judiciary of equal status to parliament. The government would pursue peaceful relations with Peking on the basis of equality, an idea that Lee Teng Hui now espouses, but which Peking has flatly rejected.

The young reformist faction in the KMT has drawn up a Constitution that is remarkably similar. KMT hardliners who still dream of recovering mainland China are opposed to changing the Constitution at all, and some have even suggested returning to martial law to stop the current breakdown in social order.

At the other extreme the DPP's radical New Tide Faction favours changing the country's name from Republic of China to Republic of Taiwan, thus declaring independence. Peking repeatedly states that it will retake Taiwan by force if any such declaration is made.

Whatever system is adopted, it will surely be a more democratic and representative regime. The upshot of that may be a kind of assertiveness and national identity that the Taiwanese have always lacked.

A secretary who works at Electrolux in Taipei reflected a common kind of confused patriotism when she said: "I was always taught to think I was Chinese, not Taiwanese, but recently I've become really confused."

Asked whether Taiwan is a country or a province of China, she thought for a long time and said, "It's a place."

Opposition members protest outside the National Assembly.

India and Pakistan to meet in July over Kashmir

PAKISTAN has proposed to India that talks on the disputed state of Kashmir be held in the Pakistani capital of Islamabad during the second week of July, a Foreign Ministry official said yesterday, Reuter reports from Islamabad.

The official confirmed a local *newspaper report that Foreign* Secretary Tanvir Ahmad Khan had telephoned his Indian counterpart to suggest they hold the talks after the Moslem feast of sacrifice on July 4.

India has confirmed that talks will go ahead.

Pakistan proposed the meeting on June 7 in an effort to mend relations after New Delhi accused Islamabad of arming and training Moslem militants fighting for Kashmir's independence. Pakistan denies the charge. The talks will encompass all aspects of Indo-Pakistani relations, but will take Kashmir as the core issue, say diplomats in Islamabad.

Since independence in 1947, India and Pakistan have fought two of their three wars over Kashmir, one-third of which is under Pakistani control.

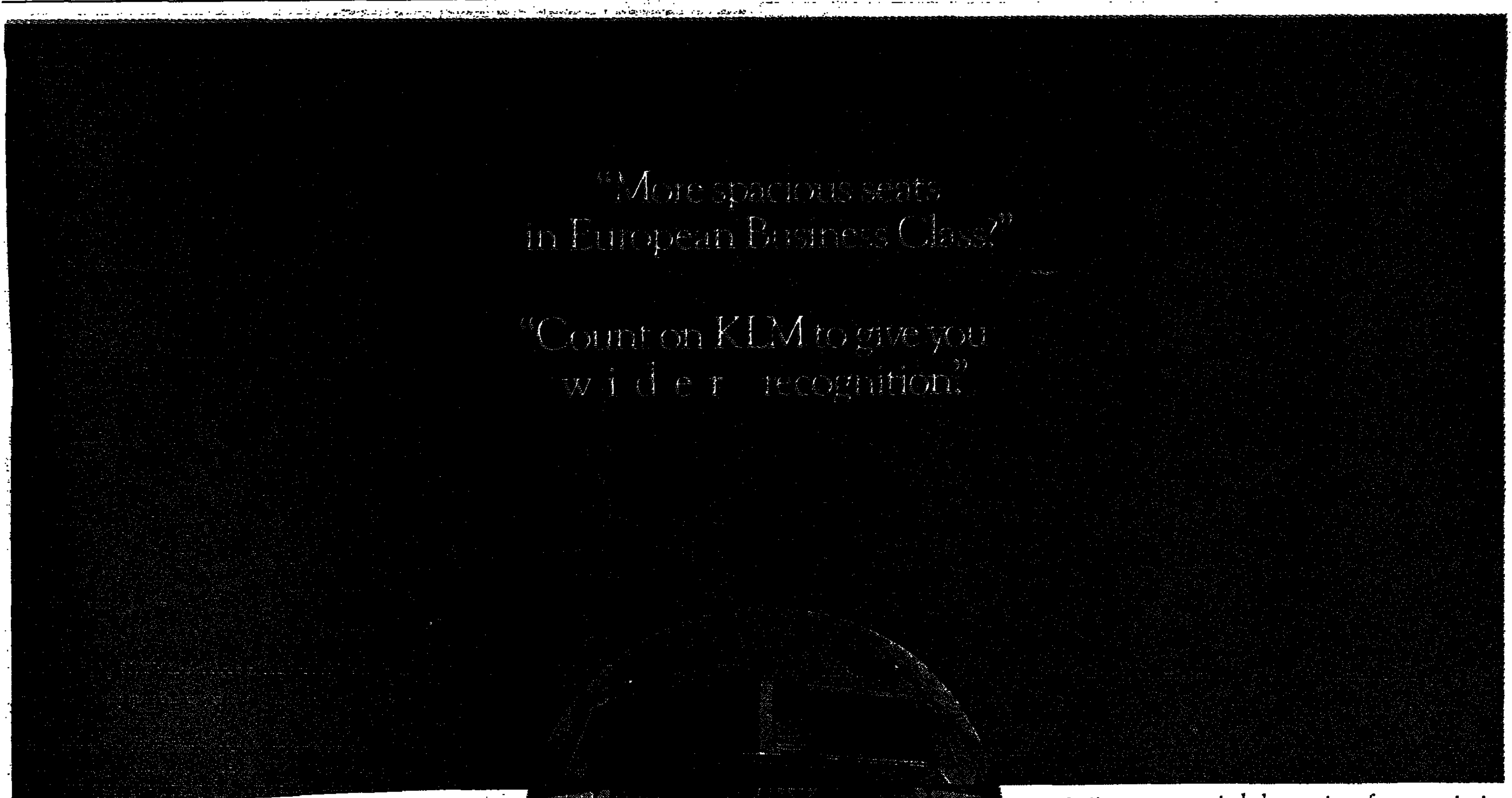
Tensions escalated rapidly in April when both India and Pakistan pushed troops closer to the border. New Delhi moved to cut tension in May by announcing it would pull back from the border of Rajasthan state.

Violence continues to boil in Kashmir, however, and many observers predict the fighting will spread over the next few weeks as summer weather in the Himalayas permits militants to stage a new offensive.

Hospital workers and human-rights groups in Indian Kashmir say at least 700 people, including militants, security force personnel and unarmed demonstrators have died in fighting this year.

● Pakistan named a former Foreign Ministry chief as its new ambassador to India on Monday in a bid to ease tension with New Delhi.

The Foreign Ministry said Abdul Sattar, Foreign Secretary during 1986-88 and currently Pakistan's ambassador to Moscow, would become high commissioner in New Delhi.



Intellectual protected by an international reputation

Peter Ellingsen profiles Fang Lizhi, the Chinese dissident allowed to leave the country for London

Nicknamed "China's Sakharov", Professor Fang Lizhi has long been China's most effective, and for Peking troublesome, critic.

Decades before the generation of students educated in the Open Door era launched their attacks on authority, Fang had constructed a withering critique of Marxism, and called into question the foibles of the regime. His was at times a lone crusade, made possible, like that of his Russian counterpart, the late Andrei Sakharov, by an international reputation.

A celebrated scientist like Sakharov, Fang has demonstrated an irrepressible interest in injustice and the courage to speak his mind. Voluble and at times cheeky, he has tracked the distortions of communism in China for more than 30 years, managing, unlike the majority of Chinese intellectuals, not to be cowed into silence by the terror of the Cultural Revolution and threat of reprisals.

The son of a postal clerk from coastal Hangzhou, Fang, 54, has been a thorn in the side of the party since his days at Peking University.

A letter he wrote to an academic during Mao's illusory Hundred Flowers Movement in the mid-1950s led to his expulsion from the Communist Party in the "anti-rightist" purge of 1957. During the even more vicious Cultural Revolution a decade later, he was again denounced as a rightist and though avoiding jail, was kept a year in a cowshed.

He was pursuing a long Chinese tradition of intellectuals by becoming the nation's conscience, in effect drawing attention to the emperor's clothing.

Fang Lizhi, with his wife Lu Shuxian: irrepressible interest in injustice and the courage to speak his mind

Being among the first to denounce Marxism in China openly was not conducive to an easy life, and Fang, despite being rehabilitated with the fall of the Gang of Four in 1978, and becoming China's youngest full professor soon after, was regularly in and out of trouble, suffering continual personal harassment.

He was a radical figure during Deng Xiaoping's 10 years of "reform", tolerated for a time but eventually penalised. In 1987, during the student protests that preceded last year's massive democracy movement, Fang, then vice-president of Keda University in central Hefei, was accused of spreading western notions, or "bourgeois liberalism", sacked and, along with the journalist Liu Binyan and writer Wang Ruowang, expelled from the party.

But still Fang, along with some courageous thinkers kept in prison, refused to toe the line. He travelled widely, including to Australia, where in a stinging denunciation he suggested that some Chinese leaders maintained overseas bank accounts. This outraged the ageing ruler in Peking, Deng Xiaoping, who appeared to take it personally.

By the time he had reached Hong Kong, Fang had the heart of Deng's power and reputation in his sights. China would not be able to modernise if it didn't "break the shackles of Maoist and Stalinist-style socialism", he told a receptive audience.

Back in China, Deng's dislike for him was palpable. He told a party meeting: "Fang Lizhi has been indulging in mud-slinging and spreading slander without any basis and we should take legal action against him."

After that broadside, Fang was persona non grata, unable to have articles published, leave the country or find any official response to a spirited demand that China release its political prisoners, notably Wei Jingsheng, a leader of the 1978 Democracy Wall Movement who was jailed for 15 years for passing state secrets.

The strategy seemed to be to quarantine Fang, a plan that turned into farce when police blocked Fang and his wife from accepting a US embassy invitation to attend a banquet hosted by visiting US President George Bush.

In an interview shortly before that, he gave a careful, systematic demolition of the regime, before he addressed the question, "what does the ruling party stand for?" He chuckled, aware that waiters in the restaurant where he was speaking would have to account for the exchange. "Themselves," he said, without lowering his voice.

Taipei plan to reform stock market

By Peter Wickenden in Taipei

TAIWAN'S Finance Minister, Mr Wang Chien-hsien, yesterday announced a series of measures including allowing greater foreign investment, to revive and stabilise the Taipei stock market.

The Taiex index has fallen more than 55 per cent in five months. Under-sized and over-capitalised, the market is plagued by short-term individual speculation, insider trading and manipulation.

Foreign investment is only permitted indirectly through four offshore mutual funds.

On assuming office recently, Mr Wang said he would try to bring order to the market and crack down on insider trading. He said yesterday that the first priority was to revise regulations governing institutional investment, and increase the proportion of institutional participation in the market. It is at present dwarfed by unsophisticated individual investment.

He said he favoured initially limiting the amount that foreigners can invest directly, and increasing it only after the market becomes "normal and stable".

Only one securities house out of more than 300 can now legally offer margin loans. This monopoly is to be ended by allowing integrated securities houses to offer financing. Most houses now offer margin loans illegally.

The size of the four existing domestic mutual funds will be increased and the government will allow new funds to be launched.

Share issues by several state-run enterprises will be delayed until the market recovers.

The development of the small over-the-counter and bond markets will be accelerated to ease the concentration of capital in the Taiex.

Restrictions on the establishment of new financial institutions will be lifted as fast as the development of local expertise allows, said Mr Wang. He saw no reason to lower the current 0.6 per cent stock transaction tax just because the market had fallen.

Piaggio in scooter talks with LML of India

By Haig Simonian in Milan and David Housego in New Delhi

PIAGGIO, the Italian engineering group best known for its Vespa scooters, says it is in advanced negotiations with LML, the quoted Indian motor scooter maker, to develop the production of two- and three-wheeled vehicles in India for the domestic and international markets.

The news follows reports of talks between the Italian company, based in Pontedera, near Pisa, and Bajaj Auto, India's largest scooter maker. Piaggio denies that it was discussing shipping the bulk of its production to Bajaj's plants in India.

Bajaj yesterday reasserted that discussions with Piaggio had taken place over the last 12 to 14 months, but, in view of Piaggio's recent statement, said that it did not wish to comment further.

Piaggio, in the Indian market since 1960, is also considering raising its minority stake in LML. The Indian company has some 20-25 per cent of the domestic market in motor scooters, against 70 per cent for Bajaj. Raising its holding in LML would allow Piaggio to play an important role in the management and development of the company, the Italian group said.

According to Mr Gustavo Denegri, Piaggio's chairman and managing director, the huge Indian market "is of particular interest for the industrial and international strategy of the Piaggio group". Apart from its two- and three-wheeled motor vehicles, the group, which employs almost 9,000 workers, makes bicycles and a range of specialised engineering equipment.

Piaggio, sometimes mistakenly associated with the giant Fiat group but actually an independent and privately-owned company, is at present busy looking abroad. Last month, it confirmed talks with Daihatsu Motor of Japan on producing a light commercial vehicle in Italy which could be exported to other European markets.

Philippines cabinet plans economic liberalisation

By Greg Hutchinson in Manila

A WIDE-RANGING package of liberalising economic reforms has been approved by the Philippines cabinet, which is becoming desperate to revive the moribund economy, now the sickest in South East Asia.

Saying it must be both bold and socially sensitive, the cabinet has agreed a package of price, trade, tariff, tax, and fiscal reforms which are intended both to resuscitate the economy and to reduce the extent to which rich and powerful businesses in the network of Filipino "cronies" have been able to monopolise industrial sectors and evade taxes.

Aquino: two years left

President Corazon Aquino has long pledged to open and reform the economy; she has just two years of her term left to implement the reforms.

However, a key factor in the new economic policy will be a downgrading of the importance of tight monetary policy. The cabinet has accepted that the planned expansion of the money supply could give a further "brief upwards boost" to inflation, already running at an annual rate of 13 per cent. With many Filipinos scraping a living on wages close to subsistence, the risk of social unrest resulting from further sharp price increases cannot be discounted.

Other important elements of the reforms include:

- abolition of price controls on items such as cement to end within a year;
- a relaxation of foreign investment controls within two years;
- a shift of the taxation burden towards the more affluent;
- further deregulation of financial markets to stimulate competitiveness.

Not the least of Mrs Aqunio's economic difficulties have been six failed coup attempts against her government, each of which has knocked foreign investor confidence and slowed the economy still further.

Manila figures show fall in project investment

By Greg Hutchinson

THE continuing decay of infrastructure in the Philippines has been highlighted by official figures showing reduced growth in project investment in the first five months of this year.

Mr Tomas Alcantara, Trade and Industry under-secretary, blamed the country's electric power generation crisis and, to a lesser extent, perceptions of political instability since last December's week-long coup attempt for the slowdown.

The Board of Investments approved projects, mainly in manufacturing, worth pesos 43.3bn (£1.1bn), a rise of 8.8 per cent over the period from January to May last year when project investment soared by 261.8 per cent to pesos 39.8bn.

Mr Alcantara says the 1989 rise was from a very low base, but a comparison with neighbouring Indonesia and Thailand should give Manila no joy. For every one investment dollar flowing into the Philippines, five are injected into Indonesia and 11 into Thailand.

Mr Alcantara said there were "crinkles" to iron out in negotiations with foreign contractors over increased power generation capacity. Metropolitan Manila still suffers daily power blackouts of up to four hours, although monsoon rains have broken a drought and resuscitated the country's hydro-electric power generation system.

A breakdown of the 1990 investment figures show that only 38.5 per cent of investments went to the metropolitan Manila area, the outlying regions taking the lion's share.

As of April 1, incentives for manufacturing ventures setting up in Manila have been scrapped, in an effort to redirect investments away from the traffic-choked and power-drained capital.

A year-long cement shortage has now eased with the importation of 6m 40kg bags of cement this month alone.

INTERNATIONAL NEWS

Algeria offers collateral in bid for more lending

By Stephen Fidler, Euromarkets Correspondent

ALGERIA WILL consider the highly unusual step of providing collateral to encourage international banks to grant it new loans, according to a document from the Central Bank of Algeria to be presented to bankers today in London.

The document – which provides significant new details of the country's foreign debt profile – reiterates the Government's long-standing desire to reschedule foreign debt or use debt reduction operations such as those provided under the Brady initiative. Algeria has encountered severe difficulties in gaining new bank loans, despite its stated determination to avoid rescheduling, largely because of its high debt burden.

Rescheduling, it says, "would close the indebted country's access to international capital markets for a long period of time and deprives lenders of part of their claim against a country that has always been committed to meeting in full her international obligations".

Provisional estimates show medium- and long-term debt standing at \$23.6bn (£13.7bn) at the end of last year. Short-term loans of less than one year maturity amount to \$1.7bn.

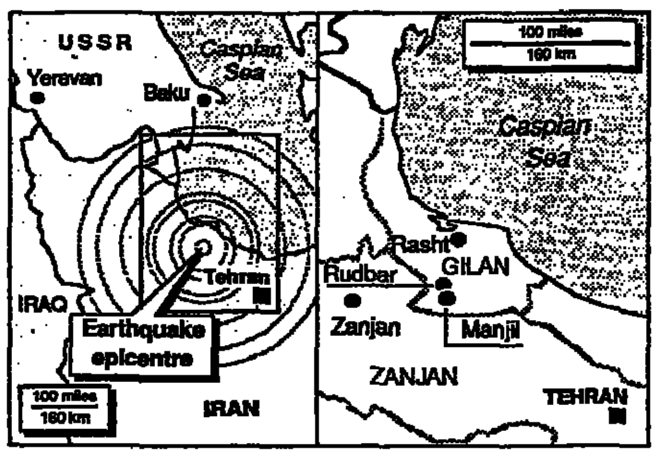
However, the report points out that the maturity structure of the debt is "extremely unfavourable, particularly for the commercial debt". More than 70 per cent of the debt matures between 1990 and 1993, giving it an average maturity of 3.6 years. The central bank acknowledges that banks trading their short-term claims for longer-term ones "must be adequately rewarded".

Annual loans of \$2bn would reduce the debt service ratio, which now stands at 75 per cent, to 58 per cent in 1990-91, 36 per cent in 1991-2 and 24 per cent in the following year.

If, however, some of the proceeds of the loans would be used to purchase zero coupon bonds to provide collateral for bank lenders, it would borrow \$3bn annually and bring the debt service ratio down to 27 per cent in 1992-93.

It suggests that collateral could be provided equivalent to the level of provisions which international banks are required to hold against their Algerian loans – currently of the order of 20 per cent of the loans' face value.

The figures show the importance of Japanese banks in lending to Algeria, accounting for 57.5 per cent of the \$5.43bn in what the central bank calls financial credits.



EARTHQUAKE LEAVES 2m HOMELESS AS RELIEF EFFORT BUILDS

SHELTER has become the priority in Iran, with an estimated 2m people left homeless by Thursday's earthquake, Kamran Fazel writes. The death toll in the northwest was still climbing and officials fear it may reach 75,000.

The Tehran University Geophysics Centre reported that 22 aftershocks, some as strong as 5.5 on the Richter scale, had hit the region in 24 hours, blocking roads and hampering relief operations in Gilan and Zanjan provinces. Irna, the official news agency said military helicopters were flying around the clock, particularly in remote areas.

The Iranian Mission to the United Nations appealed for more emergency aid. It said medicines and surgical equipment were badly needed.

Relief supplies continued to pour in with official hesitation over accepting outside help largely evaporating as the scale of the disaster sank in.

The international relief operation swelled, with neighbouring Soviet Azerbaijan, North Korea, Pakistan, Venezuela, Bangladesh and Kuwait pledging to send medical help. Tehran Radio reported that at least 68 aircraft carrying aid had landed at Tehran's Mehrabad airport on Sunday.

Saudi Arabia, which cut diplomatic ties with Iran in 1988, sent the first of 40 transport planes loaded with earthquake relief aid.

However, differences remain in the Islamic leadership over relations with the west. The English-language Tehran Times, which is close to President Ali Akbar Hashemi Rafsanjani, said Iran should welcome all aid. It said government relief work had not been able to cope with the disaster.

But the hardline Jombur-e-Eslami launched a scathing attack on the US, accusing it of responsibility for the earthquake, and demanded that American aid should be rejected.

"Our people, even under the rubble, chant 'Death to America' and pray to almighty God to cut off the US hand... even those hands stretched to help," it said in an editorial.

Iranian villagers try to mark the graves of loved ones

Kamran Fazel reports from a village near the centre of the earthquake where 8,000 have already been buried

RUDBAR, a mass of small towns and villages around a lake south of the Caspian Sea, was once one of the most picturesque sights in Iran. It is now dead.

A Chinook helicopter taking foreign reporters to the north flew low over the hills along the borders of Zanjan and Gilan where the earthquake struck hardest last Thursday. Huge cracks on the earth's surface grinned up at us as we saw the devastation caused in just a few minutes.

In the town of Manjil 20,000 were killed and only 4,000 survived, according to a French military team there.

The first village we reached after landing near Rudbar was Khaneh-Ballah.

It had had a population of 11,000 people. Three days after the earthquake, 8,000 had been buried; the task of digging mass graves continued.

The 200 people left alive were trying to convince soldiers and Revolutionary Guards doing their military service at least to bury their loved ones together, marking the graves with rock arrangements, fallen doors and even blankets fixed by a few rocks.

At the village cemetery stones marking the "martyrs'" graves of the Gulf War were cracked with their aluminium photo frames fallen or lopsided; dozens of people refused to leave the graves of their loved ones.

Mohammed Zaffari, 55, was rocking his head: "I lost my dear wife 20 years ago and my son is all I had. I brought him up by myself. Alone, alone.

"I am a worker, a labourer, a nobody, but I wanted it all for my son. I got him through university. He was a gentleman. He was not like me. Look, he is here with my daughter-in-law and my three grandchildren.

"It's all my fault: I asked him to come and see me. I was playing with beautiful Davoud, my four-year-old grandson. He pulled my hair and called me Baba, Baba. Now they are all gone, gone."

Hojatolislam Karimi, a clergyman from Qom, Iran's religious capital, has been put in charge of the area. When asked if this was another test of Allah for Iran, as Iran's spiritual leader, Aytollah Khamenei, had said, he calmly answered: "As you can see for yourselves this calamity has once again unified the Iranians. There are people from all over the nation here."

The tragedy has destroyed hundreds of thousands of lives. The only living member of the Saroushi family, Zahra, was singing a lullaby over the make-shift grave of her husband and two children. She would not leave the place and refused to speak.

Zeynab Gobari, 20, said that despite all that had been done the higher villages had not been reached.

"There are thousands upon thousands of people buried there. There has been a great deal of aid but it's not enough, as you can see. They are badly organised.

"There is not enough being done. The scale of the tragedy is far too great. Iran can not deal with it by itself. We need international help from all over. Please tell all about our ordeal. We need help and need it now." Zeynab kept following us, repeating her plea.

As night fell, people gathered around log fires in a huge olive grove to keep out the chill. There were a great many fires and the villagers kept silent.

Meanwhile the soldiers and the Revolutionary Guards were gathered by the roadside awaiting transport to their camps. There were no generators at Rudbar and when the sun disappeared the work stopped.

Riots put Zambia reforms at risk

Just when the world's donors were daring optimism – now this, writes Mike Hall

RIOTING in Lusaka yesterday may well put at risk the implementation of Zambia's economic recovery programme just at the stage when international donors were expressing guarded optimism.

The decision last year by President Kenneth Kaunda's socialist-style government to embark on tough economic reforms had brought an encouraging response from two leading donors, now playing a crucial role.

The International Monetary Fund – to whom Zambia owes almost \$1bn in debt arrears and at one time seemed on the verge of expelling Zambia as a member – now has a strategy to deal with the problem.

And the World Bank, owed \$215m in overdue obligations, has begun detailed discussions on new aid disbursements, in co-operation with other leading western donors who froze aid when President Kaunda suspended an IMF-led adjustment programme in 1987.

Next month the Government is due to ask official creditors to ease its \$7bn debt burden, one of the highest in the world in relation to its gross domestic product.

West Germany has already cancelled its share of official debt of \$310m; the US has said it will do the same, although it is bound by legislation that forbids such assistance unless the country benefitting is undergoing conventional IMF-backed structural adjustment.

A rescheduling agreement with most creditors is likely. Donors have already pledged \$450m for the first year of the recovery plan, although most of this is conditional upon Zambia reaching rescheduling agreements and settling arrears due to the Bretton Woods institutions.

Sorting out the arrears problem is crucial to the success of Zambia's reforms, as it is now disqualified from receiving further loans from either the Bank or the Fund.

Last month the Fund's policy-making body agreed on an "accumulated rights" approach for countries in arrears. Zambia may be one of the first to benefit.

It means that as long its reforms have the blessings of the IMF, Zambia will earn rights to draw on resources in the future. When these match its arrears the Government can obtain a bridging loan from commercial banks to pay off the Fund.

Aid donors are also likely to club together to help pay off the arrears to the World Bank before the Fund's are cleared. This would allow the Bank to loan Zambia \$200-\$400m a year.

The critical question is how committed the Government is. There have been some startling and rapid moves on the part of President Kaunda. In March he defended one-party rule and state-control of the economy; in May he announced a referendum on a return to multi-party politics and plans partly to privatise state-run enterprises.

So far the Government has stuck to a broad timetable of reform laid out in its Policy Framework Paper published last year. The most recent measure, and the one which sparked the protests yesterday, was a doubling in the price of maize, the staple food.

An increase in 1986, though harsher, caused widespread rioting in copper mining towns and led to President Kaunda abandoning IMF-backed reforms a few months later.

Prices for all products, except maize, were decontrolled in June 1989 and this has put many goods back on the shelves. Severe controls on money supply were imposed to control inflation, which was running at 150 per cent. It appears to have had a marked effect.

A Canadian has been appointed governor of the Bank of Zambia – the first expatriate to hold the post since independence – an institution marred by scandal. Bankers say he has been allowed strong influence.

In February a dual exchange rate system was introduced. The kwacha was devalued from K16 to the dollar a year ago to K40 (although its worth is still inflated). It has curtailed imports and encouraged exports. Measures have also been put in place to enable strict control of government spending.

These tough reforms may alienate many Zambians and generate pressures that, in the lead-up to the referendum, the ruling party may well give in to. Old-guard socialists remain close to President Kaunda and diplomats do not rule out the possibility of another "policy coup". The rioting is certain to be a severe test of the President's commitment to his reform programme.

Shamir's migrants plea

MR Yitzhak Shamir, the Israeli Prime Minister, has appealed to Soviet President Mikhail Gorbachev not to bow to Arab pressure and cut off the flow of Soviet Jewish immigrants to Israel, Reuter reports from New York.

In a letter, a text of which was made available to Reuters by authoritative sources yesterday, Mr Shamir also personally assured Gorbachev that Israel does not have a policy of "directing" Soviet Jews to occupied Arab lands and only a handful of emigrants had in fact settled there.

Mr Gorbachev, in his summit with President George Bush in Washington earlier this month, raised the prospects of cutting off Jewish emigration to Israel if the immigrants were settled in territories occupied by Israel in the 1967 Middle East war.

Arab nations have complained bitterly that Jewish immigrants could be used to overwhelm Palestinian inhabitants in the occupied territories, but Mr Shamir, in his letter, described that argument as a smokescreen for Arab objections to any Jewish emigration to Israel.

In the letter dated May 29, Mr Shamir, began by saying, "I take the liberty of an unusual measure in writing you concerning the Jews of the Soviet Union and their emigration to Israel..."

AMERICAN NEWS

Damage to Amazon forest worse than feared

By Christina Lamb in Rio de Janeiro

THE deforestation of the Amazon rainforest is more extensive than previously admitted, according to figures released by the Brazilian Satellite Research Institute (INPE).

The institute says 8 per cent of the rainforest in the Amazon area, as defined by the Brazilian Government, has been destroyed, rather than the 5.6 per cent announced last April.

The data puts the total area of deforestation at 404,000 sq kms – a land mass almost the size of Sweden, or the equivalent of burning a football pitch every two seconds for a year. The new total resulted from using more sophisticated satellite techniques and analysing parts of the forest not previously looked at in detail.

Dr Philip Fearnside, of the Brazilian Institute for Amazonian Studies, said the figures showed the situation was increasingly urgent, with serious implications for the greenhouse effect.

The figures are still lower than claims by some environmentalists that as much as 14 per cent of the 5m sq km forest has been destroyed.

"The Government is continuing to make the same errors as the previous Sarney administration," Dr Fearnside said. They were including the Serrado savannah region within the total afforested area, without counting the damage done there. "In fact, the real figure of original forest wiped out is between 11 and 12 per cent," he said.

Mr Jose Goldenberg, Minister for Science and Technology, told an environment conference in Manaus yesterday that the Government estimate of deforestation through illegal burning for last year was 30,000 sq kms, compared to an average of 24,000 sq kms a year since 1978. Because of heavy rains this was less than the peak year in 1987.

He called on the industrialised world to help Brazil combat the problem through debt-environment swaps.

The Government of President Fernando Collor de Mello has committed itself to ending deforestation and has launched a highly-publicised programme of sending in the army to protect the forest and blowing up air strips used by gold miners in the area inhabited by Yanomami indians.

But Dr Fearnside complained that they had yet to tackle the underlying problem.

"They blew up only 12 out of 136 known air strips and five of these have been rebuilt. This has far less practical effect than actually destroying the motives for deforestation by, for example, introducing taxes on land speculation," he said.


Fernando Collor: sent army to protect forest

Panama in European aid drive

PANAMA is seeking aid from Europe, Japan, Taiwan and the US to pay off $540m (£314m) in arrears owed to international financial institutions, according to Dr Ricardo Arias Calderón, the country's First Vice President, writes Robert Graham.

Mr Arias, who is in London on a European fund-raising tour, said yesterday such aid was essential to help normalise Panama's relations with the international financial community.

Although the Endarra Government in Panama was making progress in restoring economic stability in the wake of the December 1989 US invasion, unpaid debts to international financial institutions (IFIs) remained a serious handicap, he said.

The nation's total foreign debt totalled almost $6bn when General Manuel Antonio Noriega, the military ruler, was seized by US forces.

Mr Arias said he hoped to obtain a total of $130m from Europe, Japan and Taiwan. A further $130m is being earmarked from the $420m-worth of aid recently approved by the US Congress.

Another $130m will come from funds accumulated from commercial payments into special accounts ordered by the US Government to prevent them going to Gen Noriega, now awaiting trial in Florida. Such payments include dues from the Canal.

Panama will also be seeking a $150m US Treasury bridging loan, according to Mr Arias. The country hopes to be able to convince aid donors by demonstrating a balanced budget. The disbandment of the 16,000-strong defence force has led to a cut in annual security spending from $150m to $80m.

In another move to win international confidence, the new Government is trying to clean up the banking system's image in relation to the illicit drugs trade.

Mexico drew on stop-gap loan

MEXICO, faced with a dramatic fall in its foreign exchange reserves, contracted an unpublicised "bridging loan" of $1.3bn (£750m) from the US in March, writes Richard Johns in Mexico City.

As the Government pursued its policy of reducing tariff barriers, gross reserves plummeted to about $3.5bn three months ago, according to commercial bankers here.

The US Federal Reserve confirmed it had extended a credit of $700m "under an existing reciprocal swap-line" and that the US Treasury had provided another $600m under a special arrangement.

A spokesman for the Federal Reserve said Mexico had availed itself of the full facility on March 28 but had repaid $541m to the Federal Reserve and $464m to the US Treasury by the end of April. It is unclear if the balance has since been repaid.

The funds were made available under an understanding accompanying the $7bn in financing required to provide credit support for the bank debt reduction accord concluded on March 28. The Bank of Mexico said the assistance had been requested as a stop-gap until money pledged by the IMF and the World Bank had been received.

Capital inflow into Mexico was stimulated by the conclusion of the debt deal and the subsequent announcement on May 2 by President Carlos Salinas Gortari's administration of a decision to privatise the banking system.

Since March, Mexico's foreign exchange reserves are generally believed by diplomatic observers here to have recovered to about $6bn.

The gross amount published by the Bank of Mexico in its annual report for end-1989 was put at $6.86bn. The figure included a part of the $2bn bridging loan extended by the US and other governments last September, which was repaid in full on February 15.

Meech Lake setback leaves Canadian markets unruffled

By Bernard Simon in Toronto

CANADA'S financial markets have shrugged off the collapse of the Meech Lake constitutional package and concern over growing nationalist sentiment in Quebec.

By midday yesterday, the Canadian dollar, domestic interest rates and the Toronto stock exchange were little changed from Friday's close.

The dollar initially lost about half a cent, but recovered to trade at 84.70 US cents by late morning. However, the record gap of more than 5.5 percentage points between short-term US and Canadian interest rates continues to reflect the risk premium demanded by investors for Canadian securities.

After earlier warnings about the damage a constitutional crisis would have on foreign investor confidence, both federal authorities and the Quebec government have gone out of their way in the past three days to assure investors that the death of the Meech Lake accord will have little impact on overall economic performance or policies.

Traders and financial advisers ascribed the markets' muted reaction to a realisation that Meech Lake was likely to die, and an expectation that tensions generated by the constitutional debate would subside, at least temporarily.

Mr Barry Davenport, senior vice president in Bank of Montreal's treasury group, said: "Everybody wants to let the issue cool off, at least for the summer months." Along with several other market-watchers, Mr Davenport forecast that Canadian markets would be dominated by economic rather than political events over the next few months.

Despite the failure of Meech Lake, Quebec has moved quickly to introduce some of the five provisions of the ill-fated accord designed to recognise the special status of the francophone province.

The government said it expected to sign an agreement with Ottawa later this week, giving it wider powers over immigrant selection. It also wants to negotiate greater jurisdiction over training and communications.

A Quebec cabinet minister flew to New York yesterday to reassure US investors about the political future of the province, and another senior minister is due to meet senior members of the local business community today.

A rally to commemorate St Jean-Baptiste Day, Quebec's national holiday, was due to take place in Montreal yesterday afternoon for the first time in 21 years. The rally was expected to be dominated by vociferous separatists calling for a quick move towards independence from Canada.

Standard & Poor's, the US credit rating agency, yesterday affirmed its ratings on Government of Canada and Quebec debt, but fired a warning shot over Quebec's economic outlook. It shifted Quebec's rating from "positive" to "developing," indicating a possible weakening over the next year or two.

The agency said that while it expected "no change in the relationship between Quebec and Canada in the near term, ongoing discussions of constitutional reform could become increasingly divisive." Failure to make progress was likely to affect Quebec more than Canada as a whole.

Chile grapples with the ghosts of a grisly past

Leslie Crawford on the brutal legacy of Pinochet's 'dirty war'

THE victims of General Augusto Pinochet's "dirty war" are returning from the grave to haunt him. Three months after the dictator stepped down from power, human rights groups are revealing sites where the military carried out mass executions and burials in the months that followed the September 1973 coup.

Twenty corpses have been recovered from a mass grave near a prison in Chile's far north. At least four other alleged sites are being investigated by police, and human rights lawyers plan to disclose locations of more mass graves shortly.

The prison at Pisagua, an isolated fishing village 100 miles south of the Peruvian border, served as a political concentration camp after the coup. Hundreds of socialist and communist supporters of Dr Salvador Allende's Popular Unity government were imprisoned there.

Some were court martialled and executed for treason, but most were shot "while attempting to escape". The victims' families never received the bodies and were not told where they were buried.

Mrs Laura Soto, a Socialist senator and human rights lawyer, believes there may be as many as 400 "disappeared" buried in clandestine pits near the prison. Last week a fisherman from Pisagua revealed that scores of bodies had been chained to a railing on the sea bed, about 80 metres from the shore. He had tried to draw attention to the discovery in 1977 and was jailed for his pains.

Scores of relatives of "missing" people have converged on the site of the excavations. Ten of the corpses claimed by their families were given a solemn burial in Iquique this month. Five ministers attended on behalf of President Patricio Aylwin.

The Government plans to build a mausoleum in honour of the Pisagua dead and those who are still missing. Another four bodies were buried in Valparaiso last week.

The bitter legacy being unearthed at Pisagua has shocked the country. The human rights violations committed under the former regime were well documented abroad, but in Chile a combination of censorship, official propaganda and fear conspired to conceal the truth from most of the population.

The Chilean Commission on Human Rights says it has documented 2,200 political executions and a further 900 cases of people who went missing after being detained by the military junta's security apparatus. Their numbers have been swollen by an avalanche of fresh revelations since the restoration of democracy.

The prospect of a countrywide search for mass graves is as unsettling to President Aylwin's Government as it is to Chile's former military rulers. The delicate bargain struck between Mr Aylwin and the armed forces – to pay homage to the victims of the repression while limiting the scope of human rights investigations – may unravel if the clamour for justice becomes too strong.

The new civilian Government's overriding concern is to avoid provoking the army into staging another coup. But it has been unable to contain the tremendous pressure now mounting on Gen Pinochet, still its commander-in-chief, to acknowledge his personal responsibility for the bloodshed.

Every political party, with the sole exception of the extreme-right Union of Independent Democrats, has publicly called on the general to disclose the full truth surrounding the repression. Even former allies now appear to be deserting him, including Gen Horacio Toro, head of Chile's Investigations Police, and Admiral Jose Toribio Merino, former commander-in-chief of the navy and a member of the military junta.

Gen Pinochet is now a discredited, isolated figure, but he remains entrenched in the army command and unwilling to relinquish his last power base while the possibility of human rights trials threatens the army. Although he is immune from prosecution, he could be humiliated by being summoned before the courts to give evidence.

For the moment the army also feels sufficiently protected by a 1978 amnesty which effectively prevents any officer from being tried for the massacre at Pisagua.

Nevertheless, the national outcry over the discovery of mass graves compelled the army to deliver a long public statement justifying its actions in the aftermath of the coup. It said that military intervention had been a "difficult patriotic decision", backed by a majority of the population, at a time when economic collapse and political polarisation had brought the country to the brink of civil war.

The civilian government's measured response, calculated to avoid exacerbating tensions further, limited itself to saying it did not share the army's historical interpretation of events.

Mr Aylwin's centre-left coalition cannot repeal the 1978 amnesty law because it lacks a majority in the Senate, but human rights lawyers are preparing to challenge the legality of the amnesty before international courts.

We could cure most kinds of blindness with one simple injection.

Suppose you were to wake up tomorrow morning and find that you'd gone completely and irreversibly blind.

Suppose you were then told that your blindness could have been prevented, but for lack of cash.

How do you think you'd feel?

Exactly.

Yet that's the heartbreaking situation facing so many people of all ages in Britain today.

Despite the fact that this country leads the world in its treatment of blinding diseases.

Despite the fact that we're agonisingly close to major breakthroughs in the prevention and curing of such diseases.

There are still over a quarter of a million people registered blind or partially sighted in Britain.

And every day, another forty people swell this sad statistic.

So what can be done?

Well, with your help, an enormous amount.

Because in London, we're lucky enough to have two great institutions that have been in the forefront of the Fight For Sight for many years now.

Moorfields Eye Hospital on the City Road is world-famous for its success in the prevention and curing of blindness.

Every year, 300,000 out-patients are treated here and for many, Moorfields has been a last resort.

Surgical techniques that are now standard throughout the world were first pioneered here.

People whose blindness was once considered untreatable are now being given fresh hope by the new ideas and advances practised at Moorfields.

But where do these ideas come from?

Three miles away across London in Judd Street, a battered sign on a crumbling Victorian building identifies the home of the Institute of Ophthalmology. This is the research arm of Moorfields Hospital and it too is world-famous.

It was here that the connection was first made between excess oxygen at birth and the incidence of blindness in premature babies.

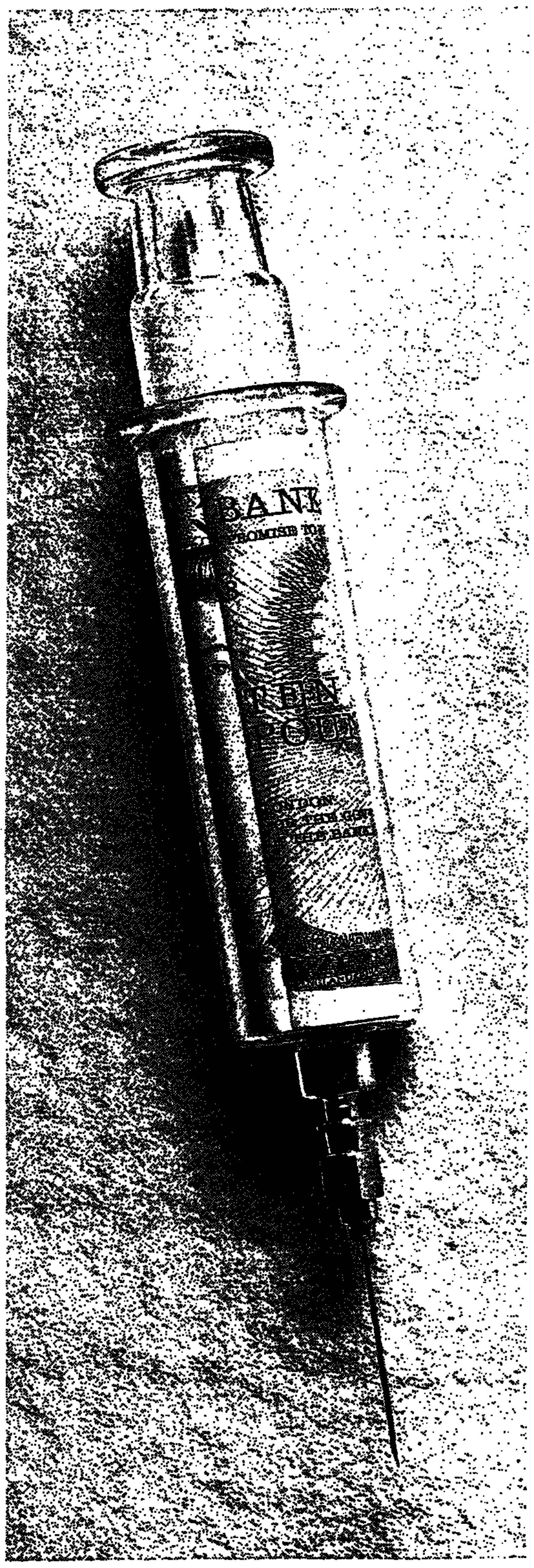
It was here that scientists discovered that the puppy dog worm, toxocara canis, was blinding young children.

It was here that the first diode 'suitcase' laser was invented, allowing laser treatment in the field.

It was here that the idea of implanting plastic lenses after cataract operations was pioneered, along with many other of the surgical techniques now used at Moorfields.

And it's here that the problem lies.

For if the building is Victorian, the conditions inside are Dickensian. Although the Institute



attracts the world's finest eye specialists, there's nowhere to put them.

So short of space are they, some researchers are using corridors as offices.

The equipment they have will soon be obsolete, the equipment they need, there's no money for.

The laboratory facilities are inadequate, the workshops basic, the study and lecture facilities virtually non-existent.

And to cap it all, there are three miles of London traffic hindering the close liaison between the Institute and the hospital that's vital if more breakthroughs are to come.

That's why the Duke of York, our Patron, has recently launched The Fight For Sight Special Appeal.

We need to raise money, a lot of money, to re-house the Institute right next to Moorfields on a site that's already being prepared.

There we can build a research centre that can really get on with the task of preventing and curing blindness.

Where there'll be room for everyone to pursue their research, backed up by the most up-to-date equipment, the best trained technicians and, most important of all, the Institute and the hospital will be working side-by-side.

Something that will speed up the rate of advance immeasurably.

The cost of it all has been put at roughly £42 million. Of this, only a small part is actually for building. The rest is needed to fund new Chairs in Molecular Genetics, in Cell Biology, in Developmental Neurobiology and in Inherited Retinal Disorders.

To equip the laboratories, workshops, clinics and lecture rooms.

And, of course, to staff them.

It's a lot of money to raise.

Especially these days when there seem so many worthwhile causes around.

But if you'd ever seen the look of bewildered joy on the face of a three-year-old who's just seen his mother for the first time, you'd know there are few more worthwhile than this.

If you'd like to know how you can help The Fight For Sight Appeal, please send the coupon below.

If you'd like to contribute, just send your cash, however large or small the amount. (Barclaycard and Access holders can use our Credit Card Line on 071-383 0582.)

It's said that money can't buy happiness.

Don't you believe it.

If you'd like to know how you or your business can help The Fight For Sight, please complete the coupon (or attach your business card) and send to the address below.

Name________________ FT3

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Send to: Fight For Sight (Special Appeal), Judd Street, London WC1H 9QS.

Telephone 071-383 0582.

THE FIGHT FOR SIGHT APPEAL

Government rebuts critics who blame City for damaging British industry

Short term pressure curbs ruled out

By Charles Leadbeater, Industrial Editor

MR NICHOLAS Ridley, the UK Trade and Industry secretary, yesterday ruled out significant Government measures to allay renewed concerns among industrialists that short term pressures from the City of London are damaging long term investment in innovation.

Mr Ridley, speaking at a conference organised by the Department of Trade and Industry and the Financial Times, delivered a blunt rebuttal to those who blamed the City's emphasis on short term returns for inadequate spending on research and development.

He acknowledged two areas of concern, however, the passivity of institutional shareholders and the limited flow of information between City analysts and manufacturers over long term plans.

Mr Ridley suggested companies should consider encouraging shareholders committees among institutional investors, a strengthened role for non-executive directors and asked whether major shareholders should have a right to appoint a majority of board members.

He said he would consider suggestions in these areas, but ruled out some of the more ambitious proposals which have recently been made to curb hostile takeovers and use the tax system to encourage long term shareholdings.

The concerns voiced at the conference are reflected in the Confederation of British Industry's decision to re-examine relations between the City and industry, following its initial report three years ago. Next week the Institution of Mechanical Engineers will host a conference which will address many of the same themes.

The conference was organised to debate a recent report by the DTI's Innovation Advisory Board, which blamed City pressures to deliver short term financial returns, for the lower growth in investment in research and development in Britain, compared with its main competitors.

However Mr Ridley said it was simplistic to blame the City for the presumed prevalence of short term pressures.

Although he said there were some aspects of the City's dealings with industry which concerned him much of the solution to short termism lay in the hands of management.

Mr Ridley said: "A degree of belief in City short termism exists in most company boardrooms. But I find such concerns hardly ever expressed by well managed companies more in command of where they are going."

He delivered a thinly veiled criticism of industry's record for research and development : "One can hardly blame investors for being luke warm if the likely returns on research and development look poor or have historically unexciting."

What mattered was not just the quantity of innovation, but high quality, innovation which was profitable because it met market needs, he said.

Mr Ridley ruled out action to protect managers by discouraging hostile takeovers. He said it would be a retrograde step to relax the discipline of an open takeover market. He doubted whether the Takeover Panel's disclosure rules needed to be re-examined.

Tax incentives to encourage long term shareholdings, had serious practical drawbacks, he said. Mr Ridley's analysis was generally supported by financiers speaking at the conference but it seemed at odds with some of the industrialists which had drawn up the IAB's report.

AUTOMOTIVE INDUSTRY

Nissan to buy more European components

By Kevin Done, Motor Industry Correspondent

NISSAN Motor of Japan is increasing its expenditure on European automotive components for its UK car and engine plant to around £600m a year by 1992/93, an increase of a third from its previous estimates of £450m.

The company has brought forward its programme for sourcing components from European suppliers and is planning to launch both its new generation car ranges with a local content in excess of 80 per cent.

Nissan Motor Manufacturing (UK), the company's UK car assembly subsidiary and the first Japanese car plant in Europe, is planning to launch its Primera upper-medium sized car range in the autumn to replace the existing Bluebird range.

It will launch a replacement at Sunderland, north east England, for the Micra small car range, presently imported from Japan, in 1992. In its initial deal with the UK Government Nissan had agreed only to reach a 60 per cent local content level at launch, building later to 80 per cent.

Mr Peter Hill, NMUK purchasing director, said that components expenditure in Europe would total around £365m for the Primera range, which the company is planning to produce in a volume of more than 100,000 units a year.

This total would rise to £600m in 1992/93, when the Micra-class car is launched, again with a planned output of 100,000 cars a year.

Nissan, which began small scale car production in the UK at its Sunderland plant in 1986, will produce around 77,000 cars this year rising to 100,000 in 1991 and 200,000 in 1993.

The company said yesterday that it had more than doubled its number of European suppliers from 67 in 1986 to 177 this year, of which 120 are British. UK components suppliers account for around 74 per cent of its purchases by value.

It is seeking to limit its total number of European suppliers to around 200 by 1992/93 when both model ranges are in production.

Of its present suppliers based in Europe only five are Japanese-owned companies – Calsonic, exhausts, heaters and radiators, Dunlop(SP)Tyres, part of Sumitomo, Hashimoto, rolled sections, extrusions and injection mouldings, NSK Europe, wheel bearings and steering columns, Mecobusa, a subsidiary of Nissan's Spanish operations, brake discs/drums and flywheels – while a further eight are joint ventures between Japanese and European companies.

In addition a further 25 of its European suppliers have technical agreements with Japanese suppliers.

Nissan refused to reveal the value of its continuing components purchases from Japan.

The company had no plans to purchase gearboxes in Europe – the biggest single item still imported from Japan – as such a move could not be justified by presently planned European production volumes.

At the same time, unlike its rivals Toyota and Honda, it had no plan at present to begin purchasing several key engine components such as blocks, crankshafts and con rods from European suppliers. These would continue to be imported, ready machined, from Japan.

Nissan's present UK-built car, the Bluebird has achieved only a 70 per cent local content, but for the Primera the company has moved to European suppliers for several important components including steel, British Steel and Sollac of France which are producing under Japanese licences, brake systems, Lucas and Bendix, and engine management systems, Lucas and Bosch, and many chassis and suspension parts.

Nissan claims that it has achieved significant gains with European suppliers through the introduction of so-called supplier development teams, where Nissan engineers have spent time with selected companies in order to improve their efficiency and quality. It claims gains at some suppliers of more than 50 per cent in improved productivity, reduced factory space, and reduced inventories.

BRITAIN IN BRIEF

Tarmac to link up with US concern

Tarmac, the UK construction company, has teamed up with Black and Veatch, a leading US power plant designer and builder, to enter the newly liberalising UK electricity market.

The joint venture, to be known as TBV Power, intends to bid for a full range of new power station business, including the building and operating of new stations.

Tarmac has not so far been involved in the running of power stations, while Black and Veatch has had almost no business in the UK until now. Black and Veatch, a Kansas City-based company has helped to build more than 50,000 megawatts of power plant, mainly in the US and the Far East.

Mr Brian Staples, a director of Tarmac Construction, said the new operation would be willing to take an equity stake in and manage new power stations.

Mr Staples also said that TBV would pursue power station opportunities in Continental Europe, particularly in Spain and the newly liberalising eastern bloc, which he viewed as the countries most open to foreign companies at present.

Hanson avoids TV market

Lord Hanson, chairman of Hanson, the international industrial group has decided not to enter the UK commercial television market because he believes it is simply too unpredictable.

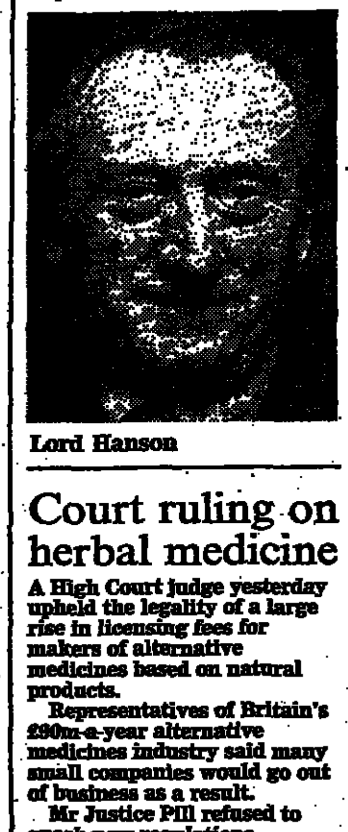
The former chairman of Trident Television, which controlled the areas now covered by Yorkshire and Tyne Tees Television, was expected to be one of the leading new players in the British broadcasting market when the franchises are put out to competitive tender next year.

The head of Hanson has looked at the 52 per cent of Thames Television now on offer but decided against trying to purchase it.

"The odds (against re-winning the franchise) are simply too great," Lord Hanson said yesterday.

"We have decided not to go further at this stage," said Lord Hanson who is concentrating his interests in broadcasting on commercial radio – and Melody Radio in particular.

Melody Radio, theme tune Tenderly which began test transmissions yesterday and which goes on air on July 9 24-hours a day exists because Lord Hanson could not find any of the "easy listening" he likes on the radio without also having to listen to the patter of presenters.



Lord Hanson

Court ruling on herbal medicine

A High Court judge yesterday upheld the legality of a large rise in licensing fees for makers of alternative medicines based on natural products.

Representatives of Britain's £90m-a-year alternative medicines industry said many small companies would go out of business as a result.

Mr Justice Pill refused to quash new regulations introduced by the Department of Health which have increased by up to 800 per cent the fees medicines makers pay for registration of new products.

The court action was brought by the Natural Medicines Group and the British Herbal Medicines Association. These represent about 30 makers of herbal and homeopathic medicines, which together sell some 4,000 licensed formulations.

Tax action on pools companies

The Government has moved to make sure that pools companies do not suffer a tax disadvantage as a result of the reduction in the pools betting duty which came into force as a result of Lord Justice Taylor's report on the Hillsborough disaster.

A new clause was tabled to the Finance Bill yesterday to remove tax liabilities which would have arisen had the proposals been implemented in their original form.

The clause provides that the pools companies can have a deduction against taxable profits for the payments they make to the trustees of the Football Trust 1990 – the body set up to co-ordinate ground improvement in the wake of the Hillsborough disaster.

US ambassador attacks Dinkins

The US Ambassador to London yesterday launched a two-day visit to Northern Ireland with an attack on New York City Mayor David Dinkins.

Ambassador Henry Catto criticised the recent decision to name a street corner in the city after convicted IRA killer Joseph Doherty.

"I think the city of New York made a dreadful mistake in giving support to a terrorist convicted in court of murder," Mr Catto said in Belfast.

"The chances are that the Mayor of New York was not very well informed about what was going on."

Doherty was convicted of the murder in Belfast of SAS Captain Herbert Westmacott in 1980.

Ambassador Catto

Oil boost for Occidental

Reserves in the Saltire field of the North Sea have been boosted by more than 30 per cent to 130m barrels, following the drilling of a successful appraisal well, Occidental Petroleum announced yesterday.

Occidental, Saltire's operator, has a 36.5 per cent stake in the field. Other stakes are held by Texaco (23.5 per cent), Lasmo (20 per cent) and Union Texas (20 per cent).

UK food industry 'risk'

One in eight food premises in England and Wales presents a high public health risk and one in 25 should be prosecuted or closed down, according to an extensive survey that provides a damaging indictment of many parts of the food industry.

The survey, organised by the Audit Commission, is the first authoritative survey of the levels of hygeine throughout the nation's eating places.

Survey on theft at work

Younger workers tend to disapprove less of employees taking minor items home from work for their own use, or using company telephones to make personal calls, according to a survey of attitudes to theft.

The poll of 1,900 workers presented yesterday to a Confederation of British Industry conference, found young people were less likely to disapprove of forms of workplace theft they thought were common.

Writ served in RSI case

A former Reuter journalist, Mr Rafiq Mughal, yesterday became the first journalist in Britain to serve a writ and claim for damages for overuse injuries, often known as RSI or repetitive strain injury.

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UK NEWS

Euro-lessons for all English schoolchildren

By Norma Cohen, Education Correspondent

EUROPEAN Awareness – the study of European languages, economics and culture – will be built into the National Curriculum to be studied by all English schoolchildren, said Mrs Edith Pagliacci, professional officer of the National Curriculum Council.

The topic will be woven into the study of other subjects, in the same manner that citizenship and environmental education have become required topics of study.

Mrs Pagliacci was speaking at a conference sponsored by the Department of Education and Science in which the results of a government-funded pilot project were unveiled. Over the past two years, 12 local education authorities have been experimenting with the introduction of European Awareness in their schools.

The DES report concluded that commitment to European Awareness in the National Curriculum is still ambiguous. Its profile "is still uncertain and only intermittently visible.".

And while there is considerable interest among local authorities about European Awareness, development of a common policy in schools may have some way to go, based on the DES summary.

Europe struggles to meet the challenge of terrorism

Jimmy Burns and **Kieran Cooke** look at calls for a cross-border police force and a European central criminal court

THE announcement yesterday of a fatal accident inquiry into the Lockerbie air disaster has provoked fresh controversy over whether those responsible for the deaths of 270 people two and a half years ago will ever be brought to justice.

Hopes of an early breakthrough in the criminal investigation have proved premature. Instead cries of "cover-up" by relatives of the victims continue in the face of the Government's failure to respond adequately to allegations of crucial organisational failures which may have contributed to the disaster.

The Boeing 747 bound for New York crashed in the town of Lockerbie, Scotland, in December 1988 after a bomb exploded. Police believe the bomb was planted inside a radio cassette player while the aircraft was being loaded in Frankfurt, West Germany.

Scottish police, who have co-ordinated an international investigation, and US officials say there is too little evidence so far for a prosecution for the attack.

In the background is a wider debate over the extent to which the co-ordination of the various intelligence and police agencies is managing to keep pace with the increasingly sophisticated tactics adopted by international terrorism.

Last week the arrest of four alleged members of an IRA "active service unit" on the border of the Netherlands and Belgium was described by Mr Tom King, the Defence Secretary, as a breakthrough in the fight against international terrorism.

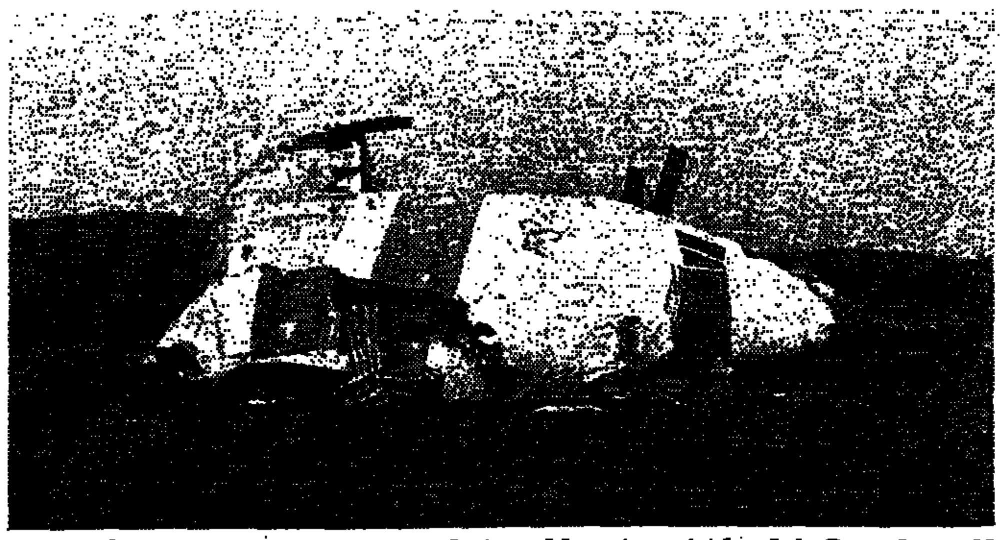
But the reality, as British and European security officials admit, is that the arrests were the product of luck rather than of intelligence. This underlines the shortcomings rather than the achievements of international counter-terrorism.

Within Europe a network of intelligence services built up in the Cold War years to spy on the Warsaw Pact – including units within the British army and MI6, the overseas security service – also share information on terrorism and co-ordinate with the mainland.

Yet until this week, the four suspects had apparently managed to roam around Europe without the police forces of the Netherlands, West Germany, or Belgium knowing of their presence.

Dutch security officials said co-operation in intelligence-gathering on IRA activities had not been stepped up recently between intelligence services in the Netherlands, Belgium, West Germany and Britain.

Instead the pattern emerging is of a series of blunders which were only saved from turning into a disaster because a Belgian farmer and his son happened to hear two of the suspects engaged in target practise in a wood.



The wreckage of PA 103 at Lockerbie, destroyed by a terrorist bomb in December 1988

European co-operation in the fight against terrorism has its contemporary roots in a 1975 agreement, in which Community countries agreed to co-operate on training and to set up police liaison offices to enable the quick exchange of information.

The European liaison section of Special Branch operates out of New Scotland Yard in London. It was described by one senior officer this week as the operational "eye of the needle" in counter-terrorist action against the IRA.

Yet as the same officer admitted, the liaison offices are part of a complex web of Europe's police and intelligence services, whose effectiveness can still be undermined by internal rivalries and political and cultural differences.

Over the last two years, the Lockerbie disaster and the killing of IRA suspects in Gibraltar have brought to the surface tensions involving European and US intelligence services.

British reports, apparently encouraged by UK intelligence sources, have been critical of the way the West Germans released 15 of 17 Palestinians eight weeks before the Lockerbie bombing. Those released included Marwan Khreesat, one of the main early suspects for making the bomb which destroyed Pan Am flight 103.

It was later alleged – by the British – that the Bundeskriminalamt (BKA), West Germany's criminal investigation office, was responsible for major obstructions in the Lockerbie investigation.

The West Germans for their part have raised questions about whether the fatal bomb was loaded at Frankfurt or at Heathrow. And the US has criticised the Swedes for their handling of the case of four Palestinians allegedly connected with bombing El Al offices and synagogues in Europe in 1985-86 and believed to be linked to Lockerbie.

Difficulties over extradition meanwhile have sometimes escalated into public verbal confrontations between governments, and provoked increasing frustration among experts charged with the unenviable task of seeking more effective ways of countering terrorism.

Professor Paul Wilkinson, a director of London's Research Institute for the Study of Conflict and Terrorism, says: "Every country has dragged its feet on the extradition issue. While this system continues, we are never going to be able to face terrorism with the certainty of justice."

Prof Wilkinson is calling for the creation of a European criminal court with special powers to deal quickly with suspected terrorists, and of a European anti-terrorist squad capable of operating across federal boundaries in the manner of the FBI.

These ideas have won little support in the UK. For instance, Deputy Assistant Commissioner John Howley, charged with European affairs for the Metropolitan Police, said last week that a European court and police force would "lead to greater costs and run the risk of creating a bureaucratic stranglehold."

But some continental police chiefs see this lack of centralisation as unhelpful in securing greater international co-operation and point to the pivotal role in the fight against terrorism played by West Germany's BKA criminal police HQ in Weisbaden.

As both the Irish police and the RUC have discovered, co-operation, in order to be effective, cannot be limited to policing activities. In the view of commentators like Prof Wilkinson, state intelligence services need to stop playing cat and mouse with each other and pool information.

Despite the public hype, European countries appear to be some way away from developing the degree of trust in each other's police and judicial system necessary to ensure a more effective offensive against terrorism.

Additional reporting by Ron van de Krol in Amsterdam, William Dawkins in Paris, and Lucy Kellaway in Brussels.

Editors voice concern at new report on privacy

By Raymond Snoddy

MR ANDREAS Whittam Smith, editor of The Independent, will today tell the National Publishers Association of serious concerns felt by national newspaper editors over some aspects of the Calcutt report on privacy and the press.

The report published on Thursday recommended the abolition of the Press Council and its replacement by a Press Complaints Commission, which would be turned into a statutory body if self-regulation failed to work.

Calcutt also recommended the creation of new criminal offences to prevent physical invasion into privacy.

The committee also recommended financial penalties to deal with intrusion on to private property by the press.

The editors of Britain's national newspapers met yesterday to work out their first response to the findings of the Committee which some of them see as a threat to press freedom and others support as a necessary way of curbing press abuses.

Andreas Whittam-Smith

The main concerns expressed by the national editors involved the dangers of a statutory tribunal being imposed on the press and the proposed new criminal offences which were accepted in principle last week by Mr David Waddington, the Home Secretary.

There was also unease about definitions of privacy and the detailed code of practice suggested by the Calcutt Committee.

It was clear however from the meeting of national editors that there is no desire to stage outright opposition to the Calcutt Report.

Instead the emphasis will be placed on trying to "improve" the recommendations and make them more workable.

There also seems to be little support for trying to preserve the Press Council, the complaints body funded by the newspaper industry.

The Council is seen as a "fox that has already been shot."

The Press Council will also meet today to review its future in the light of the Calcutt recommendation for its disbandment.

It is not clear whether Mr Louis Blom-Cooper, the Press Council chairman may be appointed to chair the new Press Compliants Commission.

But Mr David Mellor, the Home Office minister said last week he certainly didn't rule out Mr Blom-Cooper for the job.

John Redwood: sees a new role for the City of London

East Europe to 'look to London' for new capital

By John Lloyd

THE City of London is likely to become "the greatest intermediary centre" for the provision of capital to the developing democracies of Central and Eastern Europe, Mr John Redwood, a junior Trade and Industry Minister, said yesterday.

Speaking at a London conference, he denied charges that UK business was lagging behind that of other western countries in moving into east European markets. He said Britain was second among EC countries in the number of joint ventures concluded in Poland and Hungary.

To ease anxieties that trade with these countries would be unrewarding in hard currency terms, Mr Redwood said many east European enterprises had hard currency funds.

TECHNOLOGY

Seeds of a bumper harvest

David Fishlock looks at a plan to make crops available for purposes other than food

Could the whole of a crop – seed, leaf, stem, even stubble – become the feedstock for a refinery of the future, to be separated like oil into several commercially useful streams as feedstocks for many different industries?

Such a concept underlies the first Link research programme (see below) to be led by the Agricultural and Food Research Council (AFRC). Its target is to make commercially useful crops available for purposes other than food. The project is being launched publicly as a £6m five-year programme at Britain's Royal Show next month.

The idea began with an AFRC calculation that Britain could produce all the food it needs from 70 per cent of the land now available for agriculture, leaving 30 per cent to grow crops for other purposes. Today Britain imports plant fibre worth £600m a year and plant protein for animal feed worth another £85m.

Other incentives include opportunities for modifying crop genes to enhance the production of specific substances such as high-value oils. The ban on straw burning from 1992 affords another kind of inducement for using more of a crop's constituent parts.

The Link research programme focuses on problems which currently hinder this goal. Nine academic teams are participating in the project, at a cost of £3.1m to the AFRC. Industry is expected to match this figure. So far, 16 companies have pledged support in principle, although specific projects have still to be agreed. Most of the research is expected to take place in universities and research institutes, but some companies want to contribute in-house research rather than cash.

Plant fibres have tremendous potential as reinforcement for composite materials, believes James Bolton, head of the Biocomposites Centre of the University of Wales at Bangor. "Some quite elegant structures developed by plants have apparently been ignored by man." His team was set up with help from the Welsh Development Agency and is exploring a process designed to extract useful fibre from 80kg of plant material an hour.

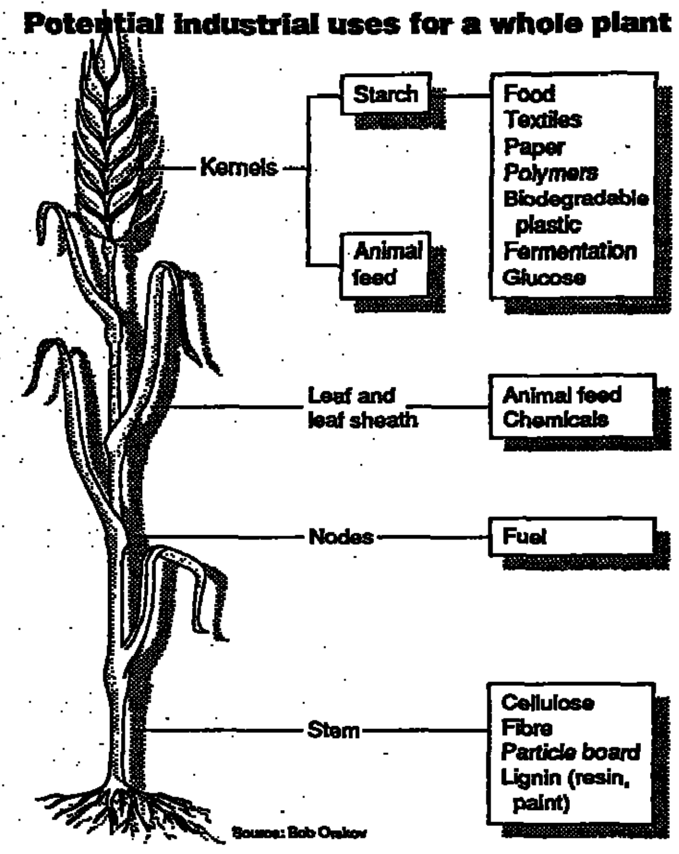
Bolton claims plant fibres show specific strengths of the same order as fibres of glass and carbon, but need cost as little as 3 per cent to 25 per cent as much. Examples include linen and sisal. Flax gave Britain's old white five-pound note its crispness. Sunflower is said to have stubble stiff enough to puncture a tyre.

In the past plant fibre has been hampered by its attraction for water, causing the fibre to swell and burst bonds with any matrix. Bolton's hopes are pinned on the idea of reacting fibre-cell walls with di-functional chemical reagents that could impart new surface properties, such as self-adhesion and rot-resistance.

Compak Systems, an engineering concern in Gainsborough, Lincolnshire, makes small production units for board pressed from fibrous materials, mainly for use in the developing world. Mike Barnes, its technical director, says the process can handle timber by-products such as wood shavings, sugar cane and straw, although straw is variable in structure.

His company is willing to help fund the Link programme in the hope of understanding why, for example, straw's bending strength can be 15 per cent lower when harvested in the second half of the year, compared with the first. He is also interested in using more specific straw fractions. UMS, a Danish company, has shown it can make better board by using the internode fraction, but the separation is energy intensive at present, he says.

Potential industrial uses for a whole plant



Source: Bob Orskov

AFRC Engineering Research, at Silsoe near Bedford, is the UK's national centre for agricultural engineering. Andy Knight, a senior scientist, is running a project concerned with the changes in plant fibre during storage. Some industries believe storage improves the properties they are seeking while others say it can damage the material.

Knight is also studying the mechanical bonding between the component parts of a plant, in the hope of simplifying their separation for a commercial fractionating operation. Separation of leaves from stems, removal of internode fractions from straw, and the grading of fibres from the pith of such plants as linseed and lucerne are some of his targets.

Farm animal development is another area where improvements have been carried out through plant breeding. Bob Orskov, a senior nutrition scientist with the Rowett Research Institute in Aberdeen, says that similar gains can be made elsewhere in crop utilisation. As animal feed, the leaf of a crop contains the most nutrients, for example, whereas the stem can be used for other purposes, he says.

He deplores the "immoral" burning and burying of crop wastes. The Link programme, he says, could correct anomalies in present farm practice and lead to a whole-crop refinery with a number of product streams ranging from premium animal feeds to fuel.

For Chris Rawlinson, a scientist with the AFRC Institute of Arable Crop Research at Rothamsted, Hertfordshire, the Link programme is particularly timely. It could help Britain overcome a world shortage of short-to-medium chain fatty acids, the basis of plant oils necessary for the manufacture of cosmetics, resins, detergents and soaps.

One way of tackling the deficit is to cultivate "exotic" crops such as coriander and euphorbia in the UK. Another is to produce the fatty acid required through genetic engineering of plants such as sunflower or oil seed rape.

According to Rawlinson, the technology is already available in Britain for transferring the gene to a plant in order to grow the required oil. This is the result of an earlier research programme called the "genetic tool-kit" mounted by the Department of Trade and Industry and involving several UK companies and universities. What remains is for scientists to identify the precise plant gene that needs to be modified by this "tool-kit", so that it makes, say, the fatty acid of optimum length for a highly priced cosmetic product.

LINK is a scheme for accelerating the exploitation of Government-funded research. Half the money for the scheme comes from Government with commercial sources providing the rest.

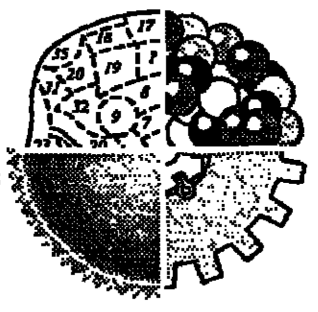
The Link programme was *announced by Margaret* Thatcher in December 1986. So far it has launched 65 projects and is considering another 400 proposals. Its target is to commit a total of £410m by 1993.

The five priority topics of the crop research programme are:

- **Production and processing of plant fibre, in particular *for the paper, board and* construction industries.**
- **Mechanical fractionation of plant parts, to encourage whole-crop uses.**
- **Chemical and enzyme treatment of crops to improve nutritional value as animal feeds.**
- **Strategies for producing and manipulating the structure of polysaccharides *and other crop-derived* chemicals.**
- **Creating new and better oils for industry by genetic engineering and biochemistry.**

According to Gerard Fairtlough, chief executive of Celltech, the biotechnology research company, and a member of the Link steering committee, collaborations offer a company two important *advantages. The company can* learn about a new science-based opportunity quickly and efficiently for a relatively small financial contribution. And Link research can underpin an area in which the company considers itself expert, for a relatively small price.

A single company can engage with academics in a *Link project, although the* Link steering committee prefers to have two or three collaborating companies.



WORTH WATCHING

by Della Bradshaw

Grass is greener on ethanol's side

AS the hunt for "green" fuels continues, there is one very attractive candidate: grass.

Researchers at the Teagasc Research Centre in Ireland have been studying the feasibility of using Italian ryegrass as a means of powering cars.

The Irish technique involves extracting the juices from the grass — nearly 60 per cent by weight of wet grass can be extracted as juice. The sugar units are then broken down using a weak acid and heat, and then fermented with yeast to produce ethanol. Ethanol can be used in a modified car engine with about 80 per cent of the efficiency of a petrol engine, say the Irish researchers.

The grass material remaining once the juice has been extracted can be used as a feedstuff for animals or made into a briquette and burnt as a domestic fuel.

Appealing as the system seems, the researchers say the cost of producing ethanol — one hectare of grass produces just £100 worth of ethanol — makes it a fuel of the future rather than the present.

Alarm rings on unstable bridge

A SYSTEM which warns when the stability of a bridge is threatened by scouring round its foundations has been developed by Hydraulic Research of Wallingford, writes Robin Burton.

The problem is particularly acute during heavy flooding, when the increased flow of water in the river can lead to the collapse of bridges. Unfortunately, flooding prevents divers from going down to inspect damage.

Video, sonar, and other high-tech methods are used to monitor bridge uprights, or piers, but inevitably these methods fail when there is heavy flow and debris. The new design, therefore, uses omnidirectional sensors mounted on flexible "tails" at various levels on the pier under the sea bed.

The sensors are connected by cables passing through protective conduits to the surface. Under normal conditions of flow the sensors remain buried and do not move or make a noise. If a scour hole begins to develop the sensors will be progressively exposed and begin to oscillate in the flow, which sets off an alarm signal at the surface.

Glasnost in the software market

THE cold war is melting in the software business, with the joint development by the Leningrad Institute of Informatics and Automation and Ashton-Tate Europe, part of the US software house, of a multi-purpose bilingual PC software package.

As well as Russian/English word processing, the package, a combination of Framework II and Informontage-2, comprises spreadsheet, database, graphics and telecommunications software.

The combined package, available from SFINCS in Leningrad as well as Ashton-Tate's European offices, is intended for companies needing to write letters in both Russian and English. Users can select menus in either language, and Cyrillic and Latin alphabets can be combined in a single document. The package will cost £550.

The fight for a friendly fungicide

KEEPING newly felled timber free from fungi has traditionally involved chemicals now deemed environmentally unfriendly — polychlorophenols, or PCPs.

But a Canadian company has hit upon the idea of using a substitute which is already in common use for sterilising surgical equipment in hospitals and cleaning swimming pools, and even appears as an ingredient in shampoos.

Timbercote, as it is called, uses quaternary ammonium compounds to fight off the fungi, either on newly cut timber or on planks which have already been infected. The breakthrough in the treatment has been the development of a bonding process using an inert latex to bond the different fungicides together.

The biodegradable treatment, developed By Napier International, of Vancouver, provides protection for a year from a host of different fungi.

Videos on the big portable screen

EPSON, famous for its Seiko watches and its computer printers, is exploiting its expertise in liquid crystal display technology with a portable video projector which does not need technically trained staff to operate it.

The VP-100PS, as it is called, provides large-screen projection up to 12ft diagonal on to any neutral surface. It can take sound and full-colour pictures or graphics from video recorders or cameras, broadcast TV via a TV tuner, laser disc players and PCs.

Unlike most projection systems, the Epson machine has only one light beam — most have three, which need to be carefully adjusted so that they converge on the screen. This is made possible by using three thin film transistor liquid crystal shutters — in red, green and blue. A series of mirrors reflects the three light sources on to a prism, which combines them to produce the single light source.

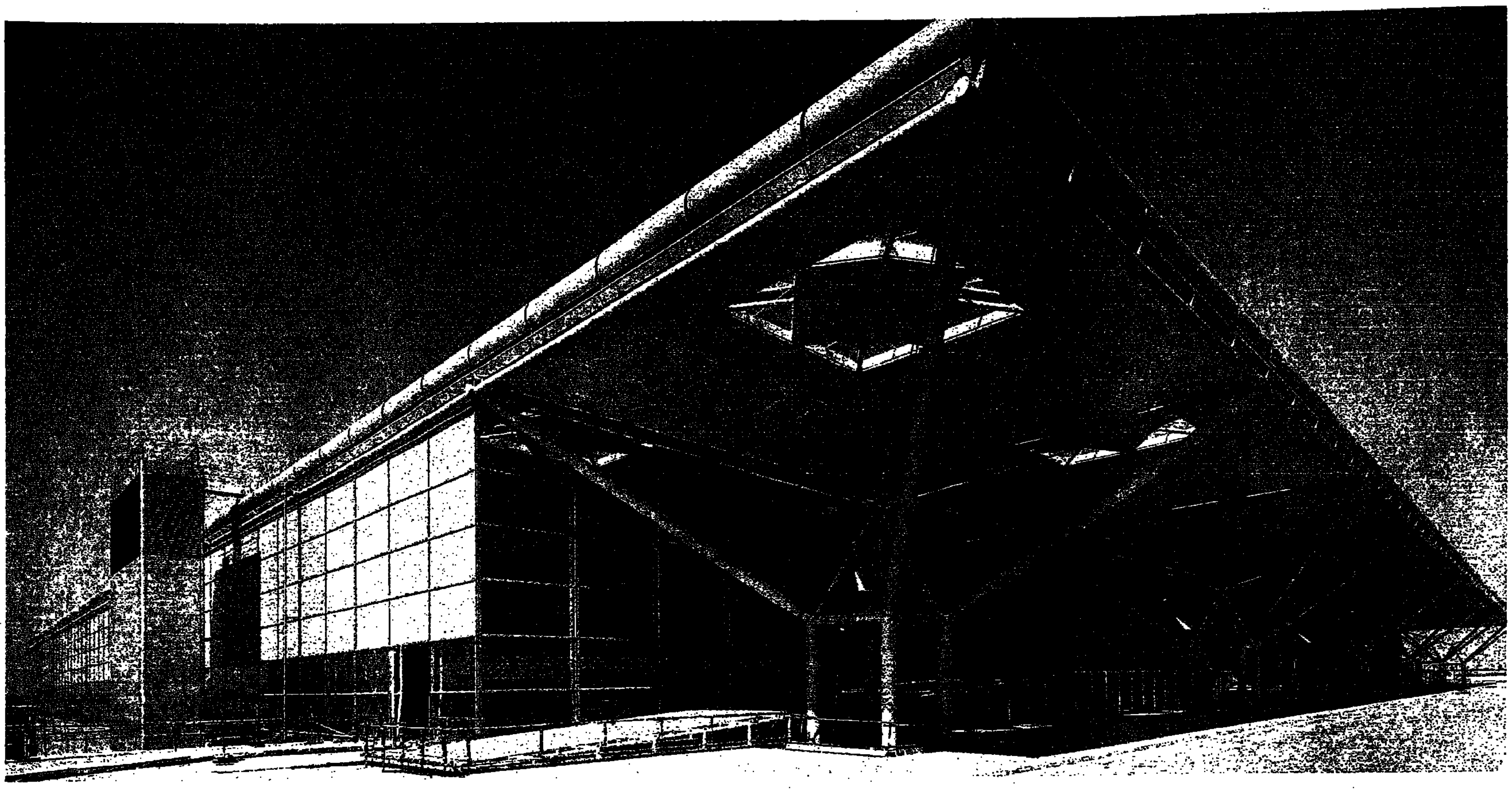
Athlete's footage goes forward

AS THE athletics season begins the battle to achieve the fastest, highest and longest result is resumed for another year.

To help those involved the Salford College of Technology has developed a video and PC package which analyses movements to show athletes how to improve performance.

Video footage of the athlete in action is computed into matchstick figures, concentrating on the action of the joints to highlight strengths and weaknesses. The Biomechanics workstation is already being used in the college's paramedical training centre.

Contacts: Teagasc Research Centre: Ireland, 053 42888. Hydraulics Research: UK, 0491 35381. SFINCS: USSR, 812 312 4285. Ashton-Tate: UK, 0753 272 62. Napier: Canada, 604 869 2290. Epson: Japan, 03 348 6801. UK, 0442 61144. Salford College of Technology: UK, 061 736 6541.



MANAGEMENT: The Growing Business

Computers in business

The right program is found in the cards

Charles Batchelor on the best approaches to installing systems

Rod and Trevor Schragger could not imagine running their £6m-turnover greetings card business without a computer. Second Nature, which is based in West London, has a range of about 600 cards and a network of sales agents and representatives in Britain and the US operating a mind-bogglingly complex system of commission rates and discounts.

Six years ago, when the company employed just six people (it now has 66 employees) and sales were only £600,000, its administrative systems were already starting to creak under the strain. Trevor, who had just joined the business his brother founded, set to work to devise a computer system which would meet its needs and cope with growth.

Second Nature now has a computer system which can provide sales information in the precise manner that the Schraggers want; calculate agents' commissions by agent, by product, by customer and by type of order; handle overseas orders in eight different currencies; and produce consolidated lists of invoices to achieve a substantial reduction in freight-handling charges.

None of these facilities would be remarkable on a big company's computer system, but for a business the size of Second Image they are unusual if not unique, says Trevor Schragger. "It is the best system in use in our industry today," he asserts. It allows the Schraggers to carry out sophisticated financial and marketing planning and to provide customers such as W.H. Smith with the sales information they expect from their suppliers.

But creating a computer system exactly tailored to Second Nature's needs was not easy. It required someone like Trevor Schragger, with a fascination for computers, and 18 months of weekend and evening work to define Second Image's exact requirements and turn these into a software programme.

Schragger was forced to adopt a do-it-yourself approach because no system was available off the shelf which met Second Nature's exact requirements. The price quoted by the large computer companies for developing such a system was around £250,000. Trevor Schragger says that doing it himself cost about £35,000.

Schragger's achievement is impressive, although he acknowledges the dangers of becoming obsessed with computers. "I was overpowered by the dream of putting a system together," he says. "I wouldn't recommend to a small company of our size to go out and write their own programme. If it had gone wrong there would have been no going back."

For those businesses which do not have someone like Schragger, introducing computers can be even more difficult. The initial cost of buying the hardware and the software may have fallen, but the real cost of getting it wrong, in time, money and business efficiency, is as high as ever.

In addition, as prices have dropped and suppliers' margins have been trimmed, the back-up that they are able to provide their customers has been cut back.

This may help explain why a quarter of the small firms contacted in a recent study* had not bought any kind of computer-based technology in the previous five years, while many which had were not using their full potential (see table).

Many small firms were making only "rudimentary" use of computers because few owner-managers had any training or expertise in the application of new technology, says Christine Edwards, author of the study and professor of industrial relations and personnel management at Kingston Business School.

Small businesses are not the only ones to encounter problems in dealing with computers. Large companies can be equally disaster-prone. A third of major computer projects in the UK go over budget, overshoot completion dates or end up being scrapped as useless, according to a recent survey by accountants Peat Marwick McLintock.

For small firms, however, the consequences of a computer foul-up can be even more disastrous because they may lack the resources to ride out the problems.

Bess Typesetting & Graphics, a Beaconsfield, Buckinghamshire-based company, lost customers and staff and saw its bank overdraft spiral when it ran into difficulties installing an £85,000 computerised desktop publishing system. Tony Dunford, founder of the three-year-old company, says his problem was in marrying different computer systems.

After hunting around for nine months to find a computer supplier who could meet his requirements, Dunford thought he had found the right people. But even the "experts" were unable to get the system up and running quickly and it took a year of trial and error before finally, last August, it was operating properly.

On top of all this, an employee who played a computer game on the company's system in his lunch hour introduced a "virus" into the equipment which took three months to eradicate.

"It was a traumatic year," says Dunford. "We had expected some troubles but not to that extent. If we had not had engineering and computer expertise within the company we would have gone down." With the computers now working pretty much as planned, turnover is expected to double this year to £360,000.

Dunford made careful preparations for his business launch and still ran into problems. But many small-business owners fail to plan their computer requirements. Businesses should start with a careful analysis of their needs before deciding whether they need to computerise and, if they do, what equipment they should buy, suggests Richard Varey, managing director of North West Business Development Services, a Bolton, Lancashire-based consultancy.

Many small business owners are reluctant to call in consultants because of the cost, despite the fact that they may end up spending £5,000 to £20,000 on just the first stage of computerising their operations. Varey says he would expect to charge around £2,000 to analyse a smaller company's computer requirements.

It is quite possible that a study of the businesses needs may reveal that computers are not needed and that the administration can be handled quite adequately by manual methods. "Paper is very user-friendly," comments Cheryl Hyland, director of the Manual Business Systems Association. The association has handled 1,552 enquiries about manual systems in the past six months.

But if the business owner decides he does need to computerise he will be confronted with a confusing choice of systems. And despite this variety, a recurring complaint from business people is that they are unable to find a system to match their needs.

Graham Grover, managing director of Trident Microsystems, a Redhill, Surrey-based distributor of electronic equipment, has spent the past nine months locating and working with a software company to produce a database which will allow his sales staff to record enquiries and to follow up leads at the appropriate time.

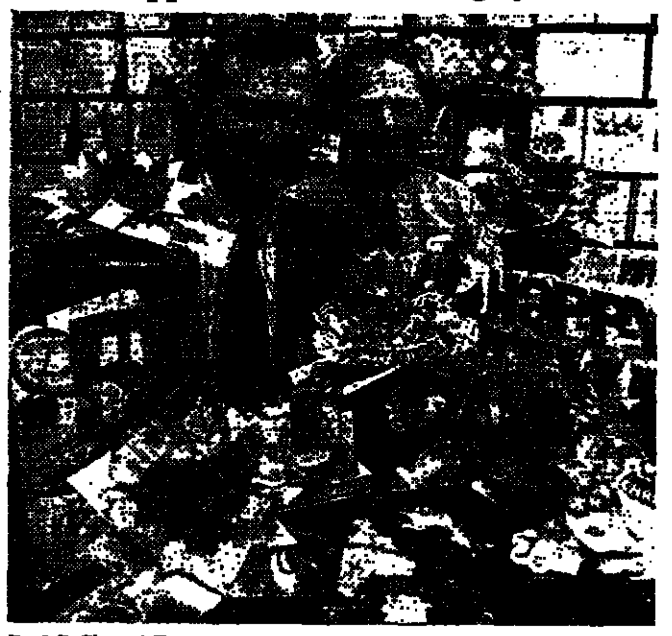
"I would have thought any small company would have given a lot to get its hands on a system like this because this requirement is not specific to us," says Grover. "But we had to design it ourselves." The software company carried out the work on this part of the system for free, but has the right to sell it to other users in a few months' time.

Deals like this may be one way around the problem of the cost of developing software to meet specific needs. Small business owners must otherwise weigh up the cost of paying for their own specific system against the inconvenience of buying a system off the shelf which meets some but not all of their requirements.

Small Firms and New Technology (A study of 68 small businesses in the Bath area with a technology bias).

Manual Business Systems Association, 44, The High Street, Eccleshall, Staffordshire, ST21 6BZ. Tel 0785 850811.

Useful reading: The Barclays Guide to Computing for the Small Business, Khalid Aziz. Blackwell, 142 pages, £5.95; Using Computers module (video and audio tapes and workbook) of Cranfield School of Management/Open University Small Business Programme. £105 + VAT.



Rod (left) and Trevor Schragger: can carry out sophisticated financial and marketing planning on a tailored system

New technology uses by small companies*

Activity	%
Word processing	40
Accounts	23
Software devpt	11
Information/Database	10
Electronic mail	10
Networking	10
Copying documents	10
Design (CAD)	10
Invoicing	6
Printing documents	6
Communications	6
Machine control	6
Business analysis	5
Customer information	5
Warehouse/stock control	5
Quality control	5
Job scheduling	5

Source: Christine Edwards, Kingston Business School *63 companies

Wales hosts a Euro shop window

Peter Walker returned to Cardiff recently, six weeks after leaving office, to perform a task that had been close to his heart during his three years as Secretary of State for Wales.

In the Norman setting of Cardiff Castle he opened Europartenariat '90, a yearly exhibition that floats around the European Community and is intended to encourage small- and medium-sized businesses to grow.

Walker placed great emphasis during his years in office on encouraging small firms in the principality, especially helping them to export, and although Europartenariat is not geared specifically to this end, the two-day gathering is intended to help those who want to sell more abroad.

Few exhibitors expect to sell much, if anything. "That's not really the object," says Anne-Marie Jackson, sales manager of Handcast Designs, a producer of marble-type giftware and jewellery from Newtown in mid-Wales. "This is intended to be a show to bring about introductions."

Indeed, the event is not even solely about introductions. Alongside the display stands was a programme of seminars on subjects such as trade and export finance, mergers and funding, legal services for 1992, and the tax consequences of cross-border relationships.

The European Commission in Brussels, which oversees Europartenariat, does a lot of homework before each year's show. It produces a directory of entrants which gives details of – among other things – their products, turnover and what they are looking for: partnerships, agency agreements, franchises and so on. This is then circulated widely throughout the Community and enables companies to decide which companies they wish to contact.

The groundwork done by the Commission beforehand is thorough, but for the participating native company there is still an area of risk.

John Parry, marketing manager of Danline International, a leading British manufacturer of industrial brushes in Llanrwst, north Wales, says: "You can sit here all day and perhaps no one will come."

Europartenariat began life in the Irish Republic two years ago and the intention was not just to bring companies together but also to help companies in deprived regions of the Community. By the time of the second show, in Andalucia, Spain, last year there was great competition to win the next one.

The Welsh Development Agency was chosen to run the latest event and Dr Gwyn Jones, its chairman, explains that the show was important to Wales "because it brings business people into direct contact with other business people from abroad."

Some 170 Welsh companies took up the challenge, and over 400 companies arrived from around Europe to see them. DR Chemicals, of Swansea, is typical of the sort of exhibitor and its needs.

The company is very small, with a staff of just seven, but within its field of specialist chemicals, is an industrial leader. David Rees, the managing director, who set it up 16 years ago, comments: "We didn't come here hoping for sales. What we wanted was to build contacts.

"We were the first in Britain to produce a single-pack liquid for the high-speed cleaning of steel in strip form. We must have saved British Steel millions. This is the sort of business that might be franchised, for instance."

Danline is larger, employing 150 and with a turnover of £5.25m a year. An airport runway sweeper is now an important part of its output. "We already sell to several European countries," John Parry says. "But distribution costs are heavy in relation to total price and we would like to establish a manufacturing base in Spain, a potential growth area we have identified." Danline has no hard-and-fast ideas on just what sort of deal it wants – perhaps a joint venture, perhaps a direct manufacturing base.

Handcast Design's Anne-Marie Jackson is equally single-minded. "We want to develop our European market and this was a golden opportunity to meet people in our sector. It was particularly useful because all the people coming here knew just what we wanted and we were able to talk straight away."

Anthony Moreton

In brief . . .

■ A one-day conference and exhibition aimed at new and expanding ethnic minority businesses will be held at the Bank of England in the City of London on Thursday, July 5. The Business Federation Conference '90 is intended to provide advice on raising finance and managing growth.

Further information on the event, which takes place between 10 am and 5 pm, from Philippa Tree, Tel. 071 978 9488. Entrance charge £25.

■ The Shell Technology Enterprise Programme (STEP), which places students with small businesses for eight-week summer projects, is looking for more companies to take students this summer. In previous years companies have used students for a variety of tasks including evaluating production techniques, fund-raising and market research.

Contact Asif Abdulla, Shell UK, Shell Mex House, Strand, London WC2. Tel 071 257 3949.

■ 3i, Britain's largest venture capital group, has launched a £50m fund to finance management buy-outs in the East Midlands. The fund will be managed by the company's Leicester and Nottingham offices.

Contact Martin Gagan in Leicester on 0533 555110 or Roger Colwill in Nottingham on 0602 412766.

■ A guide to sources of training and advice for small firms in Scotland is provided by The Enterprise Directory, which is now available in its third, 1990 edition. It provides information on small business services available from enterprise trusts, enterprise companies, local authorities and colleges.

Available from Scottish Enterprise Foundation, University of Stirling, Stirling, Scotland FK9 4LA. Tel 0786 73171. 186 pages. £15.

■ Businesses grappling with problems caused by the introduction of the Uniform Business Rate and the first revaluation of property rates in 17 years may find value in reading the Director's Guide to the Rating Revaluation.

The guide explains the rating changes, how businesses should respond, and whether it is worth while appealing against the changes by the deadline.

Available from The Institute of Directors, 116 Pall Mall, SW1Y 5ED or Tel. 071 730 6060. 92 pages. £9.95 plus 50p p&p.

BUSINESS OPPORTUNITIES

READERS ARE RECOMMENDED TO SEEK APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

Chief Executive Officer

of privately held expanding company in the United States is seeking financial partner for joint venture. Must be financially strong and able to withstand no return for 24 months. Significant return from growth probable in 36 months.

Will be in London July 11th - 15th for details and personal meeting.

Write to David Ostfeld, Esq.: 1400 Citicorp Center; 1200 Smith Street, Houston, Texas 77002 or call (713) 977-2808.

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Hotel Management team with proven success in start-ups and operational management is looking for Joint Venture opportunities with 4/5 star City Centre/Country House Hotels to complement existing wholly-owned operations in the U.K.

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TEL: 081-546 9957
[illegible] & Company, [illegible] St James's Street, London SW1. Fax [illegible]

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Lease for City Centre fitness club could convert to hairdressing. Beauty salon available for lease.

Box [illegible], Financial Times, One Southwark Bridge, London SE1 9HL

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[illegible] commercial & Industrial Properties [illegible] interest only [illegible]

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Write to Box No. F9847, Financial Times, One Southwark Bridge, London SE1 9HL

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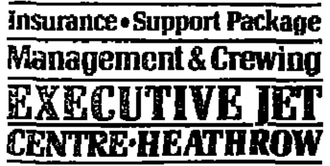

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- Prime "M25" site at Staines, Middlesex
- Comprehensive range of stock – approx £800,000
- Fixtures and fittings
- Turnover budget for 1990 – £4m.

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Authorised to carry on investment business by the Institute of Chartered Accountants in England and Wales.

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An imaginative development of retirement homes built with practical features and luxury fittings, situated close to Billingshurst village centre with attractive views of rural Sussex.

- Completed development of 42 houses and flats.
- Situated in Billingshurst, W. Sussex.
- 9 units remain unsold, having current market values totalling £692,000.
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For details please contact the Receiver, *P R Copp FCA, FCCA or E V L Blackwell FIPA (Ref: DIS).*

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IN THE MATTER OF

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Offers are invited for the business and assets of this established beers, wines and spirits wholesaler.
Situated in leasehold premises ideally located between Newcastle and Sunderland in Washington, Tyne and Wear, the company has a current turnover of £2.5 million, with direct accounts with all the leading breweries.

For further information please contact:
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A well-known and prosperous company involved in exhibition design and management.

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- Gross profit circa 35%.
- Blue chip client base.
- More than 50% overseas business.

Despite continually improving turnover and profitability the current levels of business are as much as the company at its present size can comfortably handle.

With the prospect of increasing demand the founders of this profitable company are now considering joining a larger organisation with the infrastructure to help meet this growth.

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ORIGO STOREFITTINGS LIMITED

- Leasehold premises approximately 16,000 sq. ft. in Newark.
- Three standard merchandising systems protected by copyright and patent.
- Strong established customer base with current order book in excess of £1 million.
- Large welding fabrication area.
- Press and sheet metal machinery.
- Unique automatic slotting machines.

GEORGE CARR (SHOPFITTERS) LIMITED

- Operating from two factories (one freehold, one leasehold) approximately 10,000 sq. ft. in Nottingham.
- Joinery arm of the Group but is capable of independent operation.

For further information write to I.R. Chisholm, Joint Administrative Receiver, quoting Reference: IRC/RJH/36.

KPMG Peat Marwick McLintock
St. Nicholas House, 31 Park Row, Nottingham NG1 6GR. Telephone: 0602 483444. Fax: 0602 483401.

ETTINGTON PARK HOTEL

Nr. STRATFORD-UPON-AVON WARWICKSHIRE

A rare opportunity to acquire an internationally renowned luxury country house hotel. A superb Gothic style Grade 1 listed property set in some 32 acres of parkland on the banks of the River Stour in the heart of England.

•48 LETTING BEDROOMS INCLUDING 11 SUITES•
•DINING ROOM• GREAT DRAWING ROOM•
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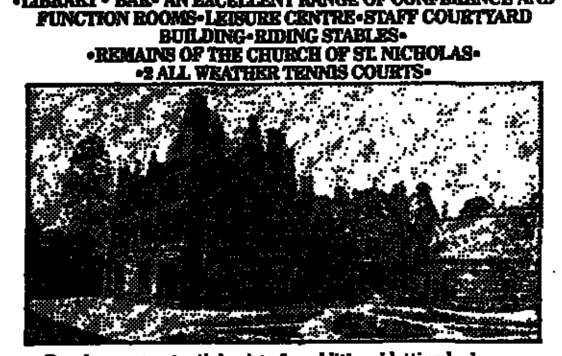

Development potential exists for additional letting bedrooms and the creation of an 18 hole golf course, subject to agreement with the adjoining Estate and planning consent.

Offers are sought, subject to contract, for the company which owns the long leasehold interest and contents.

The sale will be effected by means of a transfer of shares in Ettington Park Group plc. The purchaser will be required to make an offer for the entire share capital of the company.

The shares may not be suitable for all private investors. They may be difficult to sell. They are not dealt with by a recognised or designated exchange. There is no market maker in them and it may be difficult to assess what would be a proper market price for them at any time.

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(AFHB/JVEW/103042)

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- Significant share of UK market.
- Established brand name.
- *Approximate turnover £11m per annum.*
- 2 leasehold premises situated at:
  - Nottingham—3 acre site including 30,000 sq ft office/factory.
  - Close to Junction 28 M1—9 acre site including 160,000 sq ft office/factory.

For further information write to I. R. Chisholm, Joint Administrative Receiver, quoting Ref IRC/RJH/37.

KPMG Peat Marwick McLintock
St. Nicholas House, 31 Park Row, Nottingham NG1 6GR. Telephone: 0602 483444. Fax: 0602 483401.

TRANSPORT GROUP FOR SALE IN HUMBERSIDE

Heavily involved in UK and European transport warehousing and freight forwarding. Turnover £3,000,000
Well respected company with small well trained staff. Freehold premises.

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Write to the General Manager
[illegible]

Kerner Leisure Ltd (In Receivership)

North of England

The above company operates six snooker clubs in the north of England.

- 5 freehold and 1 leasehold club in Sheffield, Stockport and Leeds
- Impressively refurbished within the last 12 months
- Excellent alternative leisure uses
- Over 5,000 existing members
- Offers invited for sale as a whole or in part

For further details please contact the Joint Administrative Receiver:
Richard Betts,
Grant Thornton,
28 Kenwood Park Road,
Sheffield S7 1NG
Tel: 0742 553371
Fax: 0742 500294

Grant Thornton

CIS Glass Systems Limited

(IN ADMINISTRATIVE RECEIVERSHIP)

The Receivers offer for sale as a going concern the business and assets of the above company which operates as specialist glazing and curtain-walling contractors. Turnover in the last financial year exceeded £1.3 million.

Assets include:-

- Order Book In Excess of £400k
- Leasehold Premises In Hemel Hempstead
- Plant & Machinery
- Vehicles
- Stocks Of Raw Materials & Work In Progress

For further details contact:- Jonathan Schapira
Joint Administrative Receiver
Pannell Kerr Forster,
78 Hatton Garden,
London, EC1N 8JA .
Telephone 071-831-7393
Fax 071-405-6736.
Authorised by The Institute of Chartered Accountants in England and Wales to carry on Investment business

PANNELL KERR FORSTER & PARTNERS

Richard Ellis

On the instructions of the Joint Administrative Receivers, Touche Ross & Co., in respect of Rush & Tompkins Group of Companies.

LEISURE COMPLEXES

FOR SALE

Quay West, Torbay, Devon — Leasehold beach resort with water flume park, bars, restaurant and amusements. Scope for further residential and leisure development.

The Plaza, Exeter, Devon — Leasehold sports and leisure centre with themed pool, sports arena, health club and licensed facilities.

For details apply: Ref: JSB/SHF
Hotel & Leisure Division

Richard Ellis, International Property Consultants,
Berkeley Square House, London W1X 6AN
Tel. No: 071-629 6290 · Fax: No. 071-409 1476

W. SANDERS & SON (LEYTONSTONE) LIMITED

The Joint Administrative Receivers offer for sale the business of W. Sanders & Son (Leytonstone) Limited which consists of electroplating and metal finishing.

Main features include:-

- Turnover £400,000 per annum
- Long leasehold premises in Leyton, London, E10, comprising 16,000 sq ft of factory and office accommodation
- Extensive plant for manual and automatic plating
- Specialised button and electroclear lines
- Skilled workforce

For further information please contact the Joint Administrative Receiver: Stephen James

KPMG Peat Marwick Corporate Recovery
PO Box 730, 20 Farringdon Street, London, EC4A 4PP.
Tel: 071 236 8000. Fax: 071 248 1790.

Reprographic Service and Drawing Office Equipment WEST LONDON

- Machinery, fixtures and fittings, vehicles at book value of £100,000
- Annual turnover £400,000 plus VAT
- Well established customer base
- Prominent high profile corner site
- 2,600 sq ft leasehold premises. New nett rent of £13,000

GROSS PROFIT 48%
OFFERS IN THE REGION OF £200,000 TO INCLUDE VALUABLE HEADLEASE

Write to box H6396, Financial Times, One Southwark Bridge, London SE1 9HL.

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New Lease for sale on well established showrooms in prime location including upper parts. Running as an exclusive Tile & Marble Centre since 1971 offering opportunity for expansion. Showrooms also suitable for other Retail Trade.

Please write to Box H6404, Financial Times, One Southwark Bridge, London SE1 9HL

CHRISTIE & Co

By Direction of the Receiver Richard Neville of KPMG Peat Marwick McLintock

EAST LOOE
Cornwall

THE ADMIRAL BOSCARN Entertainment/Bars Complex & ADMIRALTY COURT Apartments/Maisonettes

Adjacent the Esplanade, Town Beach & Looe Bay

Some 6,000 sq ft. purpose built 2 storey entertainments/Bars/Lounge/Dance Floor/Disco together with ancillary areas – linked to adjoining Management Flat/Staff Accommodation and 5 very spacious self-contained well appointed Apartment and Penthouse Flats.

Full On-Licence and Entertainments Licence.

Turnover: £300,000 to £350,000.

Offers in Region £900,000 Freehold

EXETER OFFICE

LUXURY HOTEL IN GERMANY

A 5-star Hotel centrally located in a large West German city. Newly renovated to highest standards with exclusive interiors by an architect of international repute. 230 rooms, swimming pool, sauna, restaurants, banqueting- and conference rooms.

FOR SALE

Apply directly to Mr. Kemper or Mr. Schenkel.

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KEMPER'S
KOMPETENZ IN DER CITY

THE GARDEN HOUSE HOTEL

Folkestone, Kent.

The Joint Administrative Receivers of Monarchlink Limited trading as The Garden House Hotel offer for sale, the business, business assets and goodwill.

- Well positioned Hotel with Car Park
- 3 star standard Hotel
- 42 Bedrooms with en suite facilities
- Full forward bookings throughout Summer
- Conference facilities and Wedding Receptions
- Restaurant/Bar
- 23 Staff

Interested parties should contact Ruth Bramble/Paul Davis on 0303 52278, or the Joint Administrative Receiver Neil Geddes Levy Gee and Partners, Wettern House, 56 Dingwall Road, Croydon CR0 0XH. Telephone: 081-681 8389 Telefax: 081-681 8402

LEVY GEE

Continuous Textile Heat Transfer Printers

For sale as a going concern the business and assets of W & H Rycroft Limited (In Receivership).

- Freehold premises in Keighley, West Yorkshire.
- Specialised plant and equipment.
- Highly skilled workforce.
- Substantial order book.
- Annualised turnover of £2m.

For further details contact
Jeremy Carter

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PO Box 15, St George House 40 Great George Street, Leeds LS1 3DQ
Telephone: 0532 459631 Fax 0532 452823
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LOWNDES

BARBADOS FOR SMALLER QUOTED COMPANY

Freehold leisure development in Barbados available for shares in appropriate quoted company. Vendors will underwrite *construction costs if necessary.* Substantial profit stream.

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All enquiries should be addressed urgently to the Joint Administrative Receiver:- RW Birchall FCA, Cork Gully, 66 Queen Square, Bristol, BS1 4JP.
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As we move into the final decade of the 20th century, art in Paris is now for the most part the province of the major public galleries, showing their great permanent collections on the one hand and, on the other, an apparently unending succession of remarkable temporary exhibitions. But yet occasionally in the private galleries, we come upon exhibitions that only Paris could afford, founded in its old strengths and former glories.

For 25 years the Galerie Schmit has been dealing in the masters of French painting and the School of Paris of the 19th and earlier 20th centuries. To mark the anniversary, it has put together a show of remarkable quality and wonderfully comprehensive (396 rue Saint-Honore, 1er: until July 18). Taken whole such a haul would put its fortunate collector in the first rank for, of its period, all the required names are there, most of them represented by major pieces, many by several. The catalogue runs to 75 items and a further forty-odd have been thrown in for good measure – to have brought even a few of them together would have been achievement enough.

There is no theme other than the natural compatibility of works of an equal aesthetic weight – a landscape of the Midi by Cézanne alongside a view of Dulwich College, only lately built in 1871, by Pissarro; Courbet's poor wood-gatherer, leading her goat through the snow, on the end wall; through the doorway a ravishing Degas pastel of a woman drying herself; and beyond, Seurat's study of a woman for *la Grande Jatte*; a high romantic portrait by Delacroix; and *La brodeuse* at her loom by Fantin-Latour, an image monumental yet sympathetic in its humanity. We look around, and there is Degas again, with his sportsmen circling and gossiping at the Meet, and Manet, Sargent, Monet, Gauguin, Sisley, Lautrec, Morisot and Caillebotte. Boudin is very strong, as much in the freshest of studies as in, for him, the unusually large view of the Meuse at Dordrecht. Stanislas Lépine, usually considered a minor figure, is not at all put out in such elevated company.

And this is only downstairs: upstairs are the moderns, from Vuillard, Bonnard and the young Picasso, to late Braque and de Stael by way of Rouault and Modigliani, Matisse, Gris, Léger and the rest. More and more Derain comes into his own as a major artist working on far beyond his early reputation as a *fauve*, as here with a still life of 1912 or so, calm and mature in its response to cubism. The early Dufys are fascinating, most especially the self-portrait of 1907, so restrained in its fauvism and so unexpected an anticipation of rayonism. The two Soutines, the young girl especially, in her scarlet dress, black legs akimbo, are magnificent.

A little up and across the road, the Galerie Odermatt-Cazeau (85 bis, rue du Faubourg Saint-Honore, 8me: until July 28) has a much smaller show, some 30 paintings and a handful of sculptures. It is similar, however, both in its scope, that embraces Boudin and Karel Appel, and in its remarkable particular quality. The Lautrec, a small oil study on unprepared card of Jane Avril, seen from behind, her hair piled high, her puffed sleeves spread like wings, is as strong and lovely as such a thing of his can be, swift and sure, simple and authoritative, as the gesture itself, caught in a moment.

There too are Boudin again, and Pissarro and Lépine. The impressive late Sisley, of Moret-sur-Loing from across the water, is interesting for its heavier surface and closer working than usual for him, so solidly established. The Monet of Charing Cross Bridge, the Palace of Westminster like a grey ghost shimmering in the pale blue light, is quite extraordinary in its radical subtlety. The Bonnards are splendid and so too the Vuillards, of which one, from 1908, of a girl in a white kimono standing in the blue-grey corner of her room, in its economy and freedom of statement might almost be from the Matisse of 10 or even 20 years later. The vast Gleizes, a composition of 1912, is a triumph of decorative cubism.

Of current shows in the public galleries, the most notable is the substantial study, at the *Musée du Petit Palais* (until July 22) of another major figure of the early modern period, but one who is both of it and yet apart, the Belgian painter, James Ensor. Born in 1860, he lived and worked on into great old age, dying in 1949, and yet this show demonstrates that the period of his significant achievement was his youth and early maturity, its nature fully realised by the turn of the century. In received opinion he stands as the precursor of expressionism and surrealism, and in the dark religiosity of his imagery we can see him making available the grotesque-

'Still Life with Pears' by André Derain (above) and 'La *Brodeuse*' by Henri de Fantin-Latour (detail), right, both at the Galerie Schmit

ries of Bosch to fiercely contemporary use.

But in his own practice he was the direct product of the realist schools of the 1870s, in which the Dutch and Flemish examples were especially strong. He was clearly an artist of extraordinary precocity, technically formed by the age of 20 and setting out on his career as it happens at the very moment that Van Gogh came late to the same vocation. The facility of the younger, set against the manifest struggle of the older man, makes a poignant contrast, all the more so for the religious and symbolic preoccupations they held in common.

The story of Ensor through the 1880s is that of an artist torn between direct observation and response to the world, and its symbolic interpretation. In the end the bleak symbolism and darker surrealism would win, but briefly in that first decade a true resolution was intuitively achieved between the two. The bourgeois conversation-piece takes on sinister, claustrophobic aspect. The mood darkens. Laughter falls hollow in the empty room. Familiar figures put on masks and disguises. The skeleton still rests beneath the skin. Christ has yet to make his entry into Brussels. With Ensor, it is the early work that is the revelation.

Sing, Ariel

SNAPE MALTINGS

Alexander Goehr has been "in residence" at Aldeburgh this year, and the final weekend produced a major new work commissioned by the festival, *Sing, Ariel*, to a text devised by Frank Kermode.

It is a soprano song cycle at first appearance, but something much more quirky and individual by design. The texts range widely, and the soloist is accompanied by a heterogeneous ensemble of piano and double bass, violin, trumpet and tenor saxophone, with two further sopranos.

The work of disparate poets – perhaps just a couplet, or a complete extended poem – is interwoven to form, as Goehr observes, "an arrangement ... in which the whole seems to tell a story that has not been told in any one of the texts."

It is a sequence of extraordinarily wide literary range. Ezra Pound is placed cheek-by-jowl with Milton, Wallace Stevens with Shakespeare. The theme is the human necessity for song to articulate the commonplace as much as the extremes of experience.

Goehr set Kermode's sequence with a minimum of alterations but into five distinct sections, so that the gradual shift in preoccupations, from celebrating human joys to underscoring fears and uncertainties, is charted musically. The instrumental writing is spare and sinewy (often just a single voice) the soprano lines functional, almost deliberately unsensual.

The passionate extremes are underplayed, the alternative emphases consistently surprising. In the extended setting of Larkin's "Unfinished Poem," which gives the cycle its dark, fearful centre, the nightmarish litany is delivered with a calm objectivity defined by a long double bass solo. The height of musical tension arrives not at the point of maximum terror but in its aftermath: at the line "Why are your feet bare?" the poem acquires an erotic twist, and the music jerks into an angular climax.

At such moments as in the gorgeously warm rendering of a fragment (unacknowledged) of Hardy which closes the second part, Goehr seems to touch upon a profundity that his bald surfaces otherwise obscure. It suggests a beautifully ordered and crafted musical object with many secrets and puzzles.

While Goehr's sense of harmony is always a closed book to me at least, the sudden intrusion of a piano fugato based upon one of Messiaen's birdsongs is hard to reconcile, likewise some later eruptions into otherwise serene contexts. And the migrations of the ensemble sopranos from background to foreground are a constant fascination.

There is enough meat here to nourish repeated performances. Oliver Knussen (to whom the score is dedicated) conducted this première with natural sympathy, pacing and an excellent group of instrumentalists. The chorus sopranos were Fiona O'Neill and Tracey Chadwell and the soloist, fearsomely accurate, was Lucy Shelton: one could imagine a more luxuriant vocal sound, but since she suited the brittleness of the lines so well, it would be churlish to criticise.

Andrew Clements

Alcina

CHATELET, PARIS

William Christie is a musician of formidable convictions. A self-proclaimed missionary of authenticity, he has risked his considerable reputation as a period specialist (as others have done before) by lending his expertise to a modern production of a Baroque opera. Having succeeded so well with works by Lully, Charpentier and Purcell, the opportunity to conduct Handel's *Alcina* offered him the logical way forward. Collaboration with the Paris Théâtre du Châtelet, the Grand Théâtre of Geneva and the Ensemble Orchestral de Paris provided the challenge. It was a calculated risk, for (like Lully) he knows how to train an orchestra and wisely chose singers already well known for the stylish performances in this work.

To mount an uncut, fully staged performance of a Handel opera is rare enough. To address some of the unresolved issues of performing practice is even more remarkable – in particular, the dramatic constraints presented by the ubiquitous da capo aria. Christie's solution is to make a dramatic event of the middle section, often drastically slowing it down – as in Ruggiero's "Di te mi rido" (magnificently sung by Della Jones) and Morgana's "Tornami a vagheggiar" (with the coquettish Donna Brown) – or by inserting rhetorical pauses and make lavish ritards. The effect will not be to all tastes, but Christie has undoubtedly succeeded in tapping a rich vein of rhetoric contained within in Handel's music.

Powerful performances are delivered by all the principal singers. Arleen Auger's Alcina – no longer in her first youth – is a deeply pathetic figure. The loneliness and vulnerability conveyed in "Ah, mio core" and the futility of her anger in "Ombre pallide" are unforgettable. Kathleen Kuhlmann's brave Bradamante at first puts aside her own concerns to lecture the spineless Oronte (Jorge Lopez-Yanez) and the spirited Morgana on the pitfalls of jealousy, only to demand her own vindication later; Christie pushes the tempo of the virtuoso "Vorrei vendicarmi" to an uncomfortable speed. Della Jones's finely paced account of "Verdi prati" incorporates some of the most effective da capo ornamentation heard all evening. Gregory Reinhart is a sonorous Melisso, Martina Musacchio a determined Oberto.

The production, with its galleried brick facade and supporting cast of exotic creatures masked and mad-hatted departs from the libretto in minor ways. Oberto's father turns out to be a dancing polar bear rather than a lion; a china doll dressed as Ruggiero – into which Alcina has earlier stuck a rather large pin – substitutes for the magic urn which Ruggiero is meant to smash at the end of Act 3; and the masked men finally reveal themselves to be a citizen's militia loyal to Ruggiero. No matter: this is a marvellous evening of musical theatre well worthy of Handel.

Julie Anne Sadie

Vladimir Ashkenazy

FESTIVAL HALL

The opportunities to catch *Vladimir Ashkenazy* in a piano recital are comparatively few these days. To young audiences in London he must be more familiar as the Music Director of the Royal Philharmonic Orchestra, which in many ways is a shame, as Ashkenazy the conductor displays a very different character in his music-making from that of Ashkenazy the pianist.

To remark on only the most obvious aspect, the sound pictures that each favours are poles apart. With baton in hand Ashkenazy leads performances of ripe romantic fullness, deeply lyrical, richly coloured. But as soon as he sits at the piano keyboard, the sounds one hears immediately become sharper and clearer, with a cool poetry in the quiet playing that gives way to a hard and aggressive, metallic attack at the big moments.

His Sunday afternoon recital at the Festival Hall drew a capacity audience. The composers were Brahms and Schumann and this was an occasion when one wished that the alter ego, Ashkenazy the conductor, might creep up from behind and tap the pianist on the shoulder to suggest that a warmer, deeper tone might bring greater rewards in this music, especially the late Brahms of the Op. 119 Klavierstücke or his Third Piano Sonata.

The Sonata, which was the main work on the programme, was given an energetic and often exciting performance. This isyouthful Brahms to be sure, given his head by Ashkenazy in a way that whipped up a real momentum in the long outer movements. But the moon-lit Andante hit over-brilliant tone at its climaxes, the Scherzo was barnstorming. One longed for the wisdom of an Arrau or the sensibility of a Lupu to mollify the music's drive.

In between came Schumann's *Kreisleriana*, which set out at a whirlwind pace. The clarity with which Ashkenazy is able to sort complicated textures, even at speed, is wholly admirable and yet there was no lack of personality in the playing, for both Schumann's Eusebius and Florestan were vividly evoked. For a musician who could only put "Part-time pianist" on his passport these days, Ashkenazy keeps up a remarkably high standard of playing.

Richard Fairman

Tannhäuser

THE DOME, BRIGHTON

New Sussex Opera's annual productions have become an event. This year's *Tannhäuser* is a major staging of a Wagner opera not often given in this country, a work paradoxically at once old-fashioned and permanently controversial. Since the financial situation, critical in Sussex as elsewhere, nearly stopped this enterprise in its tracks, the intervention of Gatwick Airport Ltd. as sponsors and the support from the Longley and TV Trusts and East Sussex County Council shall be recorded without delay. The production is dedicated to the memory of an outstanding Wagner conductor, the late Sir Reginald Goodall.

Wisely NSO chose the fuller, Paris version of the opera. What is the style of *Tannhäuser*? – a knobbly blend of Parisian grand opera and early German-Romantic influences, shot through with Wagner's own, already rampant personality. The Dome's projecting stage was raised enough to enable the vigilant and effective conductor Lionel Friend and the NSO Orchestra to give the music its head without covering the voices. The designer, Jacqueline Gunn, backed the space with a great white wall with openings at various levels like a dream-memory of the Roman theatre at Orange. This journey into Pizziland is striking and workable – up to a point. But there is too much white, and too little contrast. The same basic colour for Venusberg and Wartburg blunts the opposition of the two worlds, sensual and spiritual, in which the drama is rooted.

Keith Warner's production, courageous, serious, well-thought-out if sometimes misguided, is at its best in the second act. Here the often deadly contest of song is clearly and even grippingly presented.The treatment of the chorus later in the act when the knights threaten Tannhäuser, provoking Elisabeth's intervention, is unusually well done. Doubts however had already arisen over the treatment of the Venusberg scene earlier in the evening. Here the whiteness looked underpopulated by the dancers, students and members of a movement group. Short quasi-ballet skirts and frizzy hair hinted at possible slap-and-tickle salacity, contradicted by slow, half-frozen movements.

The result, about as obviously erotic as a college production of *Alceste*, bore no relation to the stream of lava from the orchestra, calling imperiously for free, flowing, dance. The wonderful decline after the climax into sadness and self-disgust could not be matched on the stage because there had been nothing there to decline from. Caroline Pope was named as NSO's choreographer. I like to think she was also responsible for the effective processions throughout the opera. In the last act Venus not only appeared on stage but stayed there to the end of the opera – remorseful, with bowed head, a sketch for Kundry. This third act was a mixed bag, with much squirming on the floor for the other principals, who looked unhappy beyond the dramatic requirements. The end was in every sense obscure.

The Tannhäuser of Graham Matheson-Bruce is convincing to a rare degree. He looks the part, he can sing it and project it with intensity. The basic colour of the voice suits the music but would gain much from more contrast and shading. Equally convincing is the young, impulsive Elisabeth of Linda MacLeod, passionate not only in her Greeting but in the Prayer which some sopranos treat as an exercise in creamy tone. The Venus, Mary Lloyd-Davies, not much helped by the producer's and designer's views of the character (a sort of white nightgown, no visible make-up, and no suggestion of the supernatural), phrased intelligently and musically. Unfortunately the tone was inclined to go hollow where something more seductive was needed.

Peter Knapp made more than many baritones do of Wolfram's first aria and, because he was overdoing the woefulness, rather less of the second. Richard Angas as the Landgrave made every word of Rodney Blumer's translation audible. Evidently lack of consistent verbal clarity elsewhere was not the fault of conductor or hall. One regretted not hearing more words. Tim Simmons sang the Shepherd boldly from a high perch on the wall. The chorus and the West Sussex Boys Choirs were valiant except when small groups made their entrance from backstage singing, and promptly lost pitch (soon recovered). Well worth seeing, especially for those who believe *Tannhäuser* is old hat. Further performances on Wednesday and Saturday of this week.

Ronald Crichton

ARTS GUIDE

June 22-28

OPERA AND BALLET

London

Royal Opera, Covent Garden: The first production in London for more than a century of Rossini's *Guillaume Tell* is by John Cox, conducted by Michel Plasson, with Gregory Yurisich, Chris Merritt, Lelie Cuberli, and Robert LLoyd in leading roles. The triumphant new production by Bill Bryden of Janacek's *Cunning Little Vixen* is conducted by Simon Rattle, with Thomas Allen, *Lillian* Watson, Diana Montague, Robert Tear, and Gwynne Howell heading the cast. Latest round of the company's much-revived *La Bohème* production by John Copley: Antonio Pappano (house debut) conducts, and principals include Ilona Tokody, Jerry Hadley, Jonathan Summers, Barseg Tumanyan, and Judith Howarth.

Brussels

Théâtre Royal de la Monnaie. Richard Strauss's *Der Rosenkavalier* performed by the Monnaie opera and orchestra conducted by Emil Tchakarov, sets by Carlo Tommasi, staged by Gilbert Deflo with Judith Beckmann, Gunter Missenhardt, Lani Poulson.

Antwerp

Koninklijke Opera. The Royal Flanders opera in Tchaikovsky's *Eugene Onegin* conducted by Rudolf Werthen and staged by Adolf Dresen with Mireille Capelle, Pavel Chernykh and Chris de Moor.

Liège

Théâtre Royal. The Royal Wallonia opera in Puccini's *Manon Lescaut*, staged by Pierre Fleta with Jules Bastin, Daniel Munoz, Danuta Salska, Marcel Vanaud.

Berlin

Opera. *Lohengrin*, produced by Götz Friedrich will have its premiere this week with a strong cast led by Peter Seiffert in the title role, Eva Johansson (Elsa), Helmut Welker (Telramund), Olivia Stapp (Ortrud), Jan-Hendrik Rootering (Heinrich der Vogler), conducted by Jesus Lopez Cobos, who will be leaving Berlin soon. *La Bohème* returns with its original cast Kallen Esperian, Gwendolyn Bradley, Antonio Ordonez and Andreas Schmidt. *Tosca* stars Pilar Lorengar, Ingvar Wixell, John Sandor and Manfred Roehrl. Also the ballet *Notre-Dame de Paris* and *Rigoletto*.

Frankfurt

Opera. The successful *La Clemenza di Tito* production by the Llevi brothers is sung by Alicia Nafé, Ana Pusar and Keith Lewis, brilliant as leads. Further performances of *Il Barbiere di Siviglia*.

Cologne

Opera. Last performance of Jean-Pierre Ponnelle's wonderful *Die Hochzeit des Figaro* production with Ljubov Kazarnovskaya, Reinhard Dorn and Teresa Ringholz, expertly conducted by James Conlon. End of season, reopens Sept 9.

Bonn

Opera. *Macbeth* is sung by John Rawnsley, Elisabeth Connell and Francesco Ellero d'Artegna. The lively *Barbier von Sevilla* production is well sung by Frank Lopardo, Gabriel Bacquier, Marisa Vitali and Gino Quilico.

Munich

Opera. *Rigoletto* has a strong cast led by Mariella Devia, Leo Nucci, Daphne Evangelatos and Francisco Araiza. Richard Strauss's *Die Liebe der Danae* is sung by Sabine Hass, John Broecheler and Paul Frey. Also in repertory: *Die Jungfrau von Orleans*.

Madrid

International Dance Gala. Featuring: Ballet Lirico Nacional, Baden National Ballet, Bolshoi Ballet, Paris Opera Ballet. (Wed, Thurs, Fri) Centro Cultural de la Villa (578 28 92).

Barcelona

Gran Teatre del Liceu. *Les Contes d' Hoffmann* by Offenbach, conducted by Eugene Kohn, and featuring Neil Shicoff, Jose van Dam and Ruth Welting closes the season at the Liceu. Ends July 5 (318 92 77).

Milan

Teatro Alla Scala. Slightly sinister production of Tchaikovsky's *Queen of Spades* by Russian/American cinema director Andrei Konchalovsky, set in a twilight 18th century, designed by Ezio Frigerio. Mirella Freni (alternating with Maria Guleghina), Margherita Zimmerman (alternating with Francesca Franci) and Vladimir Atlantov (Stephen Dickson). Also Liliana Cavani's conventional but well received production of Verdi's *La traviata*, conducted by Riccardo Muti, with two young and almost unknown singers, Tiziana Fabbricini and Roberto Alagna as Violetta and Alfredo (80.91.26).

Rome

Piazza del Popolo e Pincio. Open-air baroque festival with 600 artists performing a varied programme of music, dance and mime dedicated to Queen Cristina of Sweden, who made her triumphal entry into Rome in 1655 through the gate at Piazza del Popolo (Thur) (4515521).

Florence

Teatro Della Pergola. Last opera at this year's Maggio Musicale is Jonathan Miller's splendid production of Mozart's *Don Giovanni*, set (surprisingly) at the right date, 1787; conducted by Zubin Mehta (2479651). **Teatro Romano di Fiesole.** Maggiodanza opens on Thursday with three works which attempt to link dance and sport in honour of the World Cup: a recent work by Soviet choreographer Maymurdmaa, a new version of the Ballets Russes work *Jeux* to Debussy's music by a young Italian choreographer, Virgilio Sieni, and a revival of a late 19th century ballet *Sport* (2779236).

Turin

Teatro Tenda at Piazza d'Armi. The Teatro Regio ballet company in a reconstruction of Filippo d'Aglie's *Il Gridelino*, Gianfranco Paoluzi's *La Giara* and *Grand Pas Romantique* to music by Adolphe Adam with choreography by Fernando Bujones; and Patrick Dupond's Ballet Français de Nancy with works by Ulysses-Dove, Kenneth Macmillan and Béjart (517788).

Naples

Teatro Mercadante. A new production by Giacomo Battiato of Mozart's *Così fan tutte*, conducted by violinist Salvatore Accardo, and a concert performance of Monteverdi's *Orfeo* conducted by Peter Neumann, with John Elwes in the title role (761 2857).

New York

American Ballet Theatre. The 50th anniversary season concludes with Sleeping Beauty after an all-Tudor evening. Opera House at Lincoln Center (362 6000).

New York City Ballet. Swan Lake concludes the season in programmes with Ives, Songs, Firebird and Who Cares? New York State Opera House, Lincoln Center (870 5570).

Tokyo

Kiev Ballet: Nutcracker (Mon, Tues); Swan Lake (Thurs). Showa Women's University Hitomi Memorial Hall, near Sangenjaya. (780 5400).

Balinese Dance. Kecak dancers from the village of Teges perform at the Reiganji Temple (Thurs) (5237 9999).

Die Lustigen Weiber von Windsor (Nikolai). Staatstheater am Gartnerplatz, Munich. Tokyo Bunka Kaikan (Thurs) (289 9999).

Joan Armatrading

BIRMINGHAM HIPPODROME

Before, long before, the likes of Tracey Chapman and Suzanne Vega there was Joan Armatrading. Lacking the political cachet of the one and the winsome poetics of the other, she has never enjoyed their catapulted success, but quietly racked up an impressive body of work over more than a decade. Sunday's show in Birmingham launched a British tour to promote her new album, *Hearts and Flowers*. The faithful were there in force, welcoming her back like an old friend. Armatrading is not one of those singers who gives concerts because they can't help themselves, because it's the only life they know. She is at her most natural, one feels, writing, arranging and recording; when she appears on stage it is to service the debt to her fans, to present them with a report on her progress.

For Armatrading live offers no revelations. She sings only her own songs, so there are no insights of interpretation to be gained – what would she do, for instance, with songs by Van Morrison, who she declares a major influence? Though the musicianship is considerable, not least in her caustic guitar playing, there was something slightly awkward about the whole affair, not just the inevitable dry joints in a show that is still finding its feet. Essentially it is a pleasant exercise in recall, as she trawls through the best of some dozen albums and the audience sings along with every word.

But the standard is high, the emotional range wider than one might imagine; while her home territory is very much the frontiers of personal relationships, the perspective is constantly changing, along with the musical slant: there are fewer quiet moments of introspection these days, more insistent hard-edged rock. The new collection of songs follows that trend, as if the painful examinations on its predecessor, *The Shouting Stage*, had ended that line of exploration; there is real ebullience now, even optimism. Certainly the fans are convinced.

Andrew Clements

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Government by jawbone

THERE is something odd about the Chancellor of the Exchequer and the Governor of the Bank of England wringing their hands and begging banks to restrain their credit sales forces. The governor, Mr Robin Leigh-Pemberton, recently expressed the view, at a banking dinner, that thrift had gone out of fashion. Last week the Chancellor, Mr John Major, spoke with apparent distaste when he lectured the Conservative Women's conference on the sale of loans by direct mail, which includes various familiar appurtenances of standard marketing practice, such as unsolicited offers and free gifts. If the financial services industry did not produce a convincing code of practice, he intimated, the Government might have to step in.

Mr Major is under political pressure to speak as he did. Many voters wonder aloud at the apparently glittering offers of loans that seem to come through the letterbox in ever-increasing quantities. The former Chancellor, Mr Nigel Lawson, received a frosty response at last year's conference when he rejected action to curb such marketing. That, he said, would be "nanny state" intervention. He was right.

Prudential grounds

The governor and Chancellor may have a respectable argument on prudential grounds. There is also much to be said for promoting consumer protection where there is insufficient competition, limited transparency in dealings, or sharp practice. These considerations are before a committee set up by the clearing bankers, under the chairmanship of Sir George Blunden, the former deputy governor of the Bank of England. There is therefore a limited case for Mr Major and Mr Leigh-Pemberton to put before Sir George, who already has on his table the conclusions of last year's Jack Committee report on banking services. Such technicalities aside, the British Government must accept that either it believes in intervention, or it does not. It would be pointless to establish one of the world's liberal environments for the financial services industry and bemoan the consequences.

There is no going back on that liberal environment now. Exchange controls were abolished in October 1979; even the Labour Party, by advocating membership of the Exchange Rate Mechanism of the European Monetary System, has implicitly accepted that they are gone for good. It would thus be impractical to re-instate the "corset" on bank lending, since restrictions imposed on the domestic market would be evaded by borrowing freely abroad. Abandonment of the corset in 1980 initiated a competitive market for credit, with banks and building societies eventually becoming players on more or less equal terms. Subsequent legislation, most notably the Financial Services Act of 1986, completed the picture.

Political masters

What is really disturbing the Government is that the increase in borrowing occasioned by the liberalisation is proving difficult to damp down, even with high real interest rates. Both the Treasury and the Bank of England would dearly love to see a greater propensity to save, and a lesser inclination to borrow, particularly when the borrowed money is spent on expensive imported goods. Yet the political masters of both institutions have denied themselves the means of bringing this about. Over the past five years fiscal policy could have been tighter; that is, taxation could have been reduced by lesser amounts. The channelling of British funds into housing could have been discouraged by removing tax relief on mortgage interest payments, imposing capital gains tax on owner-occupation, taxing imputed rental income, and keeping the property tax, or rates, rather than replacing it with the ludicrous poll tax.

Since the Government has tried none of the above, it must accept responsibility for the surge in demand for credit based on releasing the equity contained in owner-occupied houses. It has the power, but not the political will, to change the financial structure that reinforces this peculiarly British obsession with bricks and mortar. Mere jawboning about the retail marketing of credit is of little value.

Cosy duopoly in telecoms

THE British Government can be well satisfied with the radical telecommunications policy it embarked upon in the early 1980s. The UK now has five times as many users of mobile phones as West Germany or France, equipment prices are low by European standards and British industry enjoys a plethora of data services.

But, as the Government prepares for a major review of telecommunications policy in November, it would be wrong to rest on its laurels. The basic phone service is still far from perfect: customers complain they are not being treated efficiently and courteously; and people are being charged between two and three times costs for international calls.

The explanation is that it has proved difficult to crack BT's near monopoly over the basic service. Eight years after it was licensed, its small rival, Mercury Communications, has less than 5 per cent of the market. Without the threat of losing its customers, BT has had little incentive to improve the quality of its service.

The solution is more competition, which would put pressure on BT to cut its prices and to give its customers better service. When the Government privatised BT and set Mercury up as its rival, it stopped short of initiating a completely free market in telecommunications. The two companies were granted monopoly rights to provide basic phone services, to give the former time to adjust to a commercial environment and the latter time to build its network.

This restriction should now be abolished since it allows BT and Mercury to operate a cosy duopoly. Instead of keeping entrepreneurial companies out of the market, the Government should throw it open to anybody that wishes to take part, whether they are foreign or British.

Commercial realities

The Government should also sell off its remaining 49 per cent stake in BT, which only serves to protect BT from commercial realities by making it takeover proof. Such a move would incidentally make it more expensive for the Labour Party to carry out its threat of buying a majority stake in the company should it win the next general election.

But removing barriers to entry will not be sufficient to entice more competition into the market unless potential players are reassured that BT will not abuse its dominant position.

New competitors

It is unlikely in the medium term that any company will wish to compete with BT on a vertically integrated basis, providing everything from local to international services. More probably, new competitors will concentrate on particular niches.

BT's rivals will, therefore, only be able to offer a full range of services if they can interconnect with BT's network. Mercury's progress has been held back by disputes with BT over interconnection. Achieving satisfactory links between a multitude of networks will be even more difficult.

One way of preventing BT from abusing its power would be to break it up into different companies, concentrating on local, long distance, international and mobile services. This option, which was pioneered in the US and has been threatened in Japan, is probably off the agenda. But many of the same goals could be achieved by forcing the company to split itself into separate subsidiaries with any transactions between them on an arms length basis.

The Government should also promote greater openness in the way that the Office of Telecommunications regulates the industry. At present, nobody is in a position to challenge Oftel's decisions because they are taken behind closed doors and the information on which they are based is not published.

Although BT may complain that its ambition of becoming the world's leading international telecommunications group would be hampered by too much competition, it is only because of the freedom it was given in the mid-1980s that BT is able to entertain such an ambition at all. More competition at home may be just what it needs if it is to become fit enough to rival the world's best.

The survival of Ford's east London car assembly operations hinges on a renewed quality and efficiency drive, says **Kevin Done**

Time to do or die at Dagenham

Ford is seeking to achieve miracles at its Dagenham car assembly plant to the east of London, to try to ensure that the operation, an integral part of its European manufacturing network, can survive through the 1990s.

Within the next two years it is seeking to attain the same levels of quality at the UK plant – previously a byword in the British motor industry for troubled industrial relations and poor workmanship – as it currently achieves at its Spanish assembly plant in Valencia.

On the face of it such a goal may not seem so ambitious, but little more than a year ago it would still have appeared to be a wild fantasy.

An internal Ford report leaked earlier this month reveals for the first time details of the yawning gap between the quality of Ford cars produced in Dagenham and those produced at its continental European plants. The report shows that the UK products still lag far behind in terms of faults arising in trim and final assembly – from squeaks and rattles to water leaks – in paint finish and in body construction.

The very survival of the Dagenham car assembly operations is at stake and hinges on the success of the renewed quality and productivity drive, launched to follow up on last year's key decision to transfer all production of the Sierra range from Dagenham to Genk, Belgium, a move that will be completed next month.

The internal Ford report is highly critical of the performance in the past decade of Dagenham, the least efficient in terms of both quality and productivity of Ford's six car assembly plants in Europe. (The others are located at Halewood, Merseyside in the UK, Cologne and Saarlouis in West Germany, Genk and Valencia.)

"By the late 1980s Dagenham had become unreliable and at times almost out of control. Continued labour disruption, poor quality, and adverse cost performance were the product of an operation that required dramatic change if it was to survive in the 1990s," says the report.

It does not mince its words about the size of the task facing the Dagenham assembly operation. "The survival of this plant depends totally upon achieving improved quality, reliability of supply and productivity." (It is the car assembly operations, not the separate and much more successful Dagenham engine production operations, that are at issue.)

The body and assembly plant is a significant part both of Ford's British and its total European operation. A failure to bring the operation up to scratch would impinge deeply on the success of the whole Ford of Europe business, whose profits are currently playing a vital role in propping up the finances of the Ford group.

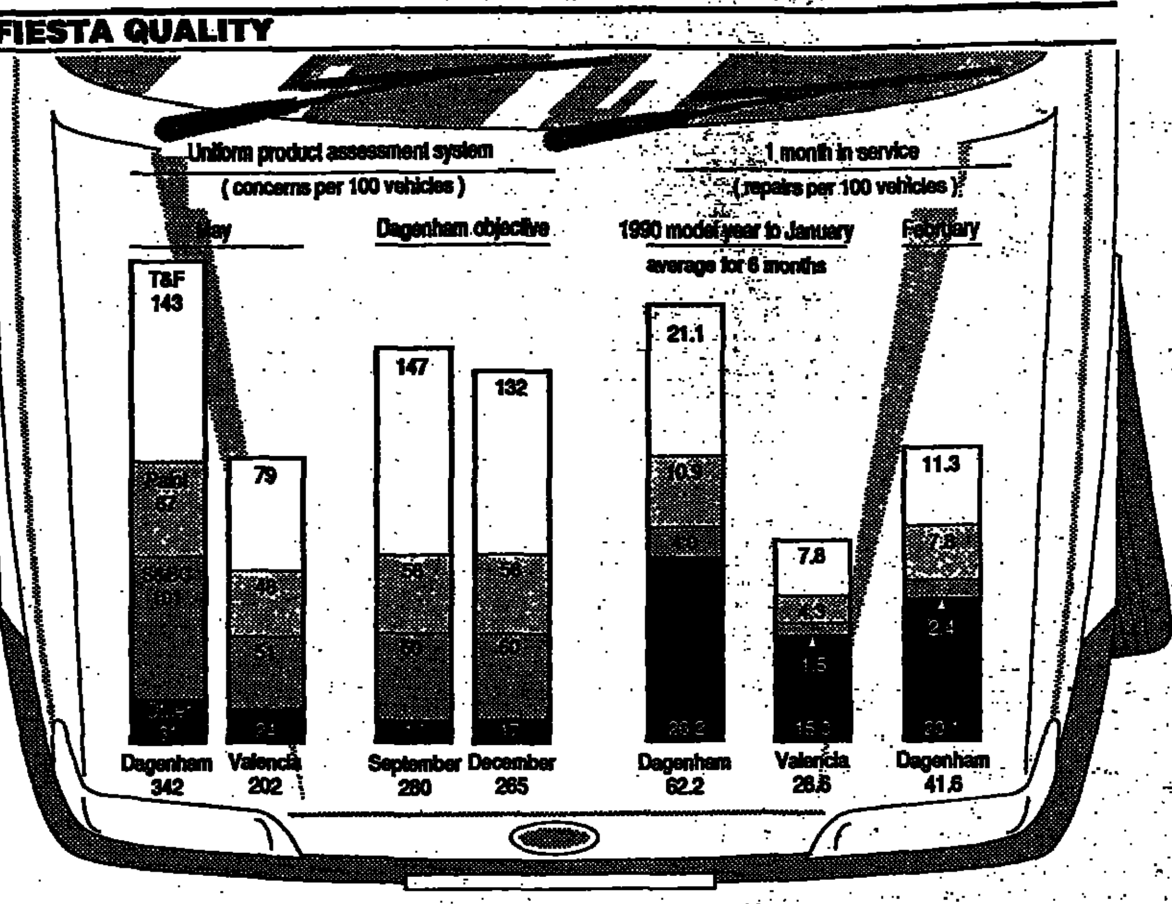
The assembly operation accounts for 8,285 of the total Ford Dagenham workforce, hourly and salaried, of 13,144, and a total Ford of Britain workforce of 48,000. The plant produced 194,261 units (84,144 Sierras and 110,117 Fiestas) or 10.5 per cent of Ford's total European vehicle output last year of 1,855,459.

As Ford seeks to meet its declared ambitions of achieving best-in-class quality and becoming the most cost-effective car maker in Europe in the early 1990s, the Dagenham assembly plant has appeared more and more like a millstone around its neck.

"It has been made abundantly clear to all our employees, that if the agreed objectives are not met, then this plant can no longer expect to survive simply because of its historical importance," says the report.

The report details the quality gulf that exists between Dagenham and Ford's continental European plants. According to the report Dagenham Fiestas produced in May, 1990 had 342 identified problems or concerns per hundred units compared with 202 for Spanish-produced Fiestas.

FIESTA QUALITY



T & F: Trim & final assembly - S & BC: Stamping & body construction Model year begins in August Source: Ford internal management report

Under the quality system based on one month in service warranty data the Dagenham Fiestas produced in the 1990 model year to January (six months from August to January) had 62.2 repairs per hundred (RPH) compared with 28.6 for the Valencia Fiestas.

Judging quality and making plant by plant – let alone company by company – comparisons is a fraught but vital task for car makers. It is becoming more and more complex as vehicle producers spread their production operations around the globe.

HOURS PER CAR	
Plant	1988
Valencia - Fiesta	33
Genk - Sierra	40
Dagenham - Fiesta	57
Dagenham - Sierra	67
Halewood - Escort	59
Southampton - Transit	79

Source: Ford internal management report (1988)

Ford of Europe employs two systems for measuring quality: the Uniform Product Assessment System (UPAS); and Things Gone Wrong (TGW). UPAS is an internal Ford audit system for determining the quality of finished vehicles off the assembly line, before they leave the plant. It is measured in "concerns per hundred units". TGW is based on warranty data of vehicles after so many months in service (MIS) with customers and is measured in repairs per hundred units (RPH).

Ford has not given up yet, however. It has renewed its commitment to closing the gap, and there are signs to suggest that Dagenham is not the hopeless case it appeared to be even less than two years ago. In February alone the Dagenham RPH figure had been cut by a third to 41.6 compared with the previous six months.

Mr Albert Caspers, Ford of Europe manufacturing director, told the Financial Times in a recent interview: "Dagenham is coming along in an excellent way. We have not missed our production schedule on a single day this year."

Admittedly such an achievement would be taken for granted at the company's continental European plants, but it is unprecedented in Dagenham's recent history.

"I think the whole environment is improving, there is a different attitude in the plant. We have created an environment of teamwork. It is not like them and us. It is more like a coherent team than ever before."

The reality as painted in the internal Ford document is rather less rosy, but it also states that, "recently there has been a marked improvement in employee relations in most areas of the organisation. We have been able to achieve changes to production shifts, work allocation and levels of employment, without major conflict.

"The changes have been brought about by a combination of actions ranging from a more open management style, a willingness to involve all personnel in the changes, and, of course, the realisation that the future of this plant is uncertain unless significant changes are made."

The crunch is approaching fast. Next month the last Ford Sierra will roll off the assembly line at Dagenham. When production resumes after the summer shut-down the plant will be reduced to producing only Ford's Fiesta small car and van range.

The decision to make Dagenham a single model plant with the concentration of all Sierra production at Ford's Genk plant, first announced in January last year, was the key first step in Ford's latest attempt to transform Dagenham's performance.

FORD OF EUROPE vehicles per employee	
Plant	1988
Dagenham	22
Halewood	29
Southampton	23
Genk	34
Cologne	34
Saarlouis	42
Valencia	38

Source: Ford internal management report (1988)

It is aimed at greatly reducing the manufacturing complexity of the Dagenham body and assembly operation. Final elimination of the Sierra next month will reduce the parts count by about 50 per cent and will cut the number of body types from 20 to 12, including right and left hand drive versions and the planned high-roof Fiesta van. The disruption caused by model changes will also be reduced by about 50 per cent.

Dagenham's capacity for producing 1,104 cars a day will remain unchanged. In order to achieve full capacity production of the Fiesta range, Dagenham will have to start exporting to continental European markets. Dagenham will be the sole European source for the Fiesta high-roof van, planned for launch in 1991.

Ford management accepts that it must "overcome the resistance in export markets to taking products from Dagenham," by implementing its plan to improve quality, schedule performance and productivity in the two years 1990/91.

Implicit in the Ford management report is the admission that buyers in Britain of Ford cars built in the UK have to date been forced to take inferior products to those on offer to Ford buyers in continental Europe.

The launch of left-hand drive cars from Dagenham is supposed to represent the great leap forward in quality. The Ford report says it is planning to introduce the left-hand drive cars "at Valencia quality levels", but the same standard is to be spread across the whole of the plant's output.

Until now it has been working with the aim of reaching Valencia quality standards – measured by the UPAS system – by the end of 1992, but Mr Harold Poling, Ford's recently appointed hard-line chairman and chief executive, appears to have insisted on the target being brought forward.

Ford is now aiming for a quality level for Dagenham-produced Fiestas, based on the warranty data system, of 28.5 repairs per hundred (RPH), the Valencia standard, a 54 per cent reduction from the average level for the six months to January, and a 31 per cent reduction from the February level. Under the parallel UPAS quality measurement system it is seeking to reduce the number of concerns per hundred units from 342 in May to 280 in September and 265 in December.

In the analysis of "major concerns" based on Fiestas produced in May, about 42 per cent of the total defects came from the trim and final assembly area (ranging from squeaks and rattles to water leaks and inoperative locks), close to 20 per cent concerned paint (from dirt to damage), while 29.5 per cent stemmed from stamping and body construction (door, bonnet and tailgate settings and damage.)

In its endeavours to improve the Dagenham quality performance, Ford can at least take cold comfort from the success of some of its rivals operating in the motor industry in Britain, which have demonstrated that the competitive quality gap with rival continental plants can be closed.

Peugeot is now exporting a large part of the production from its Ryton, Coventry plant, which faced the threat of closure in the first half of the 1980s. General Motors is starting to export cars again from the UK (Vauxhall Cavaliers under the Opel Vectra badge) from its Luton plant for the first time in a decade and claims that quality is matching its continental European plants, while Mr Yutaka Kume, chief executive of Nissan, says that it is obtaining Japanese levels of quality from the workforce at its Sunderland assembly plant.

The size of the task is still daunting. While the quality offensive is pursued, no less a challenge is faced in coming closer to continental European and Japanese productivity.

According to information presented by Ford in the wage negotiations last autumn, it still required an average of 57 hours in Dagenham in 1988 (59 hours in June 1989) to build a Fiesta compared with 33 hours in Valencia. It took 67 hours to build a Sierra in Dagenham in 1988 and 40 hours in Genk. Ford estimated that Nissan would require only 26 hours to build a Sierra-size vehicle in Sunderland when the plant is at full capacity.

Still in the UK's favour are vital factors such as lower labour costs, and a readiness to work longer hours than in some continental European countries, but for Ford this cannot make up for ever the gulf in quality and productivity. The clock is ticking.

Changes in fashion

■ Sacked two years ago from Christian Dior, after 30 years as chief designer, Marc Bohan has found a warmer welcome on the English side of the Channel. He is to start a three year contract as artistic director of Norman Hartnell, one of the Queen's favourite dressmakers.

"If you are going to make the quantum leap into the big league, you have to have international players," says Manny Silverman, who acquired the Hartnell business three years ago.

The French press reports that Bohan's salary will be £1m a year, but Silverman, who likes a footballing metaphor, says that depends on the number of goals scored. "I would be overjoyed if that is the size of the cheque I have to sign each year," he explains.

Bohan's move comes after several foreign designers have signed up with the well-known Paris fashion houses. The British designer, Alastair Blair, has joined Lanvin, while Bohan himself was succeeded at Dior by Italy's Gianfranco Ferre.

Bohan is not new to Britain, however, having headed Dior's London operation in the 1950s before being called back after Christian Dior's death to take charge of the haute couture studio in Paris. His return will allow the royal family, at least, to achieve an elegant compromise: Paris fashions, with a British label, though his discreet style may be a little too demure for some of the younger royals.

Peoria play

■ How it will play in Peoria has long been a critical political test in the US. It may yet come to the rescue of Vice President Quayle, who does not always hit it off with more sophisticated audiences.

A Quayle support group called Hit the Trail for Quayle has been formed by Dorothy Vallosio of Peoria, Illinois. Claiming that the dignity of the Vice Presidency is under assault, the group writes complaining letters to television networks, newspapers and popular comedians such as Johnny Carson to bring a halt to Quayle jokes.

Mrs Vallosio harbours special venom for the press and charges that "court jesters are running the country." But she seems to have tapped a vein of feeling. Affiliated chapters of Hit the Trail for Quayle are springing up elsewhere.

OBSERVER

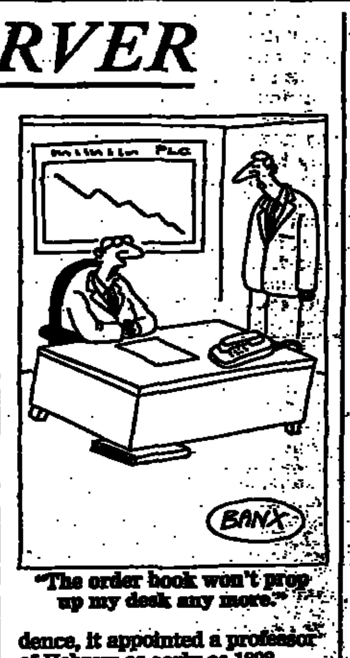
Queer folk

■ Some family doctors will need to become more discreet when the bill giving patients the right of access to health records becomes law – probably in November 1991. Even cryptic initials may not suffice, as an East Anglian doctor accustomed to writing NFN on the records of some of his patients has discovered. Baroness Hollis of Heigham, who served on the regional health authority, has disclosed that they meant "normal for Norfolk".

Jewish Chair

■ The Jewish Chronicle, organ of the Jewish community of Britain, is 150 years old next year. This week it has rather a sad front page headline: "World turns on Shamir." But there is also some pleasant news: the paper has decided to mark the 150th anniversary by endowing a Chair of Jewish Studies at University College, London, itself founded in 1826.

Being the first secular institution of higher education in Britain, UCL earned itself the nickname "the Godless institution of Gower Street." Yet perhaps because of its independence, it appointed a professor of Hebrew as early as 1828. Today, it has faculties of both Hebrew and Jewish studies, serving a considerable body of students.



"The order book won't prop up my desk any more."

The Jewish Chronicle is privately owned and tries to steer an independent line between fractious religious denominations and warring political persuasions. The chairman of its board is the City solicitor Ellis Birk, husband of Baroness Birk, and the paper has a circulation of about 50,000.

The £500,000 endowment to University College could be a shrewd move. Keeping up Judaic studies should help to ensure a steady readership well into the next century.

Mandela flair

■ Nelson Mandela has commercial as well as political instincts. At a dinner in his honour in Toronto last week, Brian Mulroney, the Canadian Prime Minister, announced that Ottawa would donate "5m dollars" to help returning South African exiles and political prisoners. The dollars were clearly meant to be Canadian: worth about 18 per cent less than the US variety.

Mandela responded that he assumed there was no difference between the two great currencies of North America. Mulroney was trapped. "OK, US dollars," he said.

The new fund will thus end up with almost C$6m. Which is just as well for Mandela: public donations to the African National Congress during his visit to Canada fell far short of the C$1m target.

Can I help?

■ A reader visiting the Grosvenor House Antiques Fair says that he finally dealt with the officious English phrase "Can I help you?" by saying: "If you knock a nought off all your prices, we can start talking."

Bally games

■ Eastern Europe is about to be introduced to risk-taking. The Chicago-based company, Bally Manufacturing, has signed a deal with Heim-Electric of East Berlin to distribute its gaming machines throughout what used to be known as the Comecon area. Bally is a world leader in such machines and has four casino hotels. Heim-Electric will be hawking a Bally wall-mounted slot machine around eastern Europe and the Soviet Union.

Centipedes

■ The insects were playing a friendly football match with the animals. At half-time the animals had scored 20 goals and the insects none. In the second half a centipede joined the game and started scoring with all his feet. Soon the score was 50 to the insects and still only 20 to the animals. Afterwards an elephant asked the centipede why he had not played in the first half. "Because it took so long to put my boots on."

Anatole Kaletsky on how the west can support the Soviet economy

No to a blank cheque

Whether Mrs Margaret Thatcher likes it or not, the European Community is going to pour a great deal of public money into the Soviet Union. Whether President George Bush likes it or not, his normally compliant allies in Japan and South Korea will almost certainly do the same once their bilateral geopolitical disputes with Moscow are resolved. The issue to be debated at the western economic summit in Houston, therefore, should not be the one addressed by European leaders in Dublin last night. The question is no longer whether to support the Soviet economy, but how to do it.

At first sight, the sudden outbreak of capitalist generosity towards the Soviet Union seems like a serious diplomatic setback for the British and US Governments. Mrs Thatcher in particular has argued forcefully against wasting money on the Soviet Union while its collapsing economy remains unreformed, its commitment to democracy remains uncertain and its whole political system shows every sign of falling apart. Even more seriously, the possibility of foreign economic support provokes distinctly mixed reactions among committed reformers in the Soviet Union itself. On its own, an infusion of western money would probably delay reform by dispelling the sense of imminent economic catastrophe which is driving the party, the bureaucratic apparatus and the Soviet people in a more progressive direction.

These fears are perfectly justifiable. The British and US Governments are almost certainly right to believe that unconditional support for the Soviet Union would be pouring money down a bottomless drain – and that it might impede rather than promote economic and political progress. At the same time, however, the Germans and French are probably right in their belief that liberalisation in the Soviet Union has little chance of succeeding without large-scale western support.

There are two possible resolutions of this paradox. The first is that perestroika is simply doomed to failure: without western aid the Soviet Union will collapse; with aid it may muddle along for a few years more, but sink deeper into its mire of bureaucratic stagnation. There could, however, be a more hopeful resolution: substantial Western aid could be made an integral part of a broad economic reform package. In an era when inconceivable political and economic changes have become commonplace, it would be too defeatist to dismiss the possibility of genuine east-west co-operation to reform the Soviet economy.

The Soviet leadership and people seems to have understood that the old command economy is incapable of being reformed any further. Politically, the country may now be ready to make the leap to a market-oriented system. This was the implication of the Supreme Soviet's decision this month to give Mr Gorbachev wide powers to introduce economic reforms by decree – although there were signs of backsliding at last week's Russian Communist Party congress.

If, and only if, the Soviet Union is ready to move on reform, then the west can support this process and make it far less politically dangerous than it otherwise would be. If the US and Britain were to accept this proposition, rather than opposing aid to the Soviet Union almost as a matter of principle, then the whole debate on east-west relations would shift onto ground much more favorable to them. In fact, once the principle of economic support for perestroika is accepted by the west, the highest priority for anyone interested in the well-being of the Soviet Union will be to persuade Germany of the need for strict conditions on all aid.

The west can help in three broad ways: by offering advice and institutional support; by financing Soviet imports of western consumer goods; and by supporting some kind of currency reform which might eventually provide the Soviet economy with a non-inflationary and convertible currency.

At present, the west cannot even agree on the first form of assistance. The US Government, for example, continues to veto even informal visits to the Soviet Union by IMF and World Bank officials. But such quirks are trivial in comparison with the real economic issues about balance of payments and monetary support.

Many western experts argue that until the Soviet Union creates a stable currency all other reforms will be doomed. If this is so, the only effective form of western aid would be to underwrite a new monetary policy which would ultimately create a convertible rouble. The apparent costs of any such proposal would be formidable, since it would effectively require the west to refinance much of the Soviet Union's "monetary overhang." This is the money, estimated at about R300bn, which Soviet citizens are thought to be holding involuntarily, simply because they cannot buy the goods they want in the shops.

At the current official "tourist" exchange rate this overhang is equivalent to about $50bn. The most convincing way of trying to stabilise the rouble would be for the Soviet Union to make its currency convertible into dollars, at a sharply devalued rate. The west could then create a huge intervention fund, which would enable the central bank to maintain the rouble's new exchange rate. If the Soviets put all their gold and currency reserves of about $30bn into this fund, a western contribution of about $20bn might be enough to mop up the monetary overhang.

This would still leave the budget deficit, which is currently haemorrhaging new money into the economy at a rate of about 10 per cent of Gross National Product or about R75bn-100bn a year. Unless this deficit was closed, even the new convertible rouble would ultimately be consumed by hyperinflation. But closing the deficit would require drastic cuts in government spending, especially in the subsidies which at present keep many consumer prices below the costs of production.

The size of these imbalances could mean that any attempt to stabilise the rouble would be so painful economically that it would be political suicide, with or without the west's support.

But this view may be too gloomy. The Soviet economy has huge productive potential, which might be realised surprisingly quickly if there were genuine structural reform. Agriculture, distribution and services are widely considered by Soviet experts to be the three crucial areas in which production could rise very rapidly in response to the incentives of real private ownership. In fact, agricultural reform alone could probably resolve many of the Soviet Union's macroeconomic problems since the country currently spends $20bn a year on farm imports. Judging by the experience of almost every other country in the world, private land ownership could probably transform these deficits into surpluses in fairly short order. Yet full private land ownership is something the Soviets have not been willing to contemplate.

What the west must insist on, therefore, is not only monetary and fiscal austerity of the IMF type, but also the genuine implementation of structural and political changes which the Soviet Government has been debating for five years. If the Soviet Union were finally to put its "regulated market economy" into practice, western aid could prove an excellent investment.

FOREIGN AFFAIRS

From Yalta to Ditchley

Edward Mortimer reports on a post-cold-war peace conference

At the end of each of the world wars, the leaders of the victorious powers assembled to plan the shape of the postwar world. In 1919 there was the Congress of Versailles, which dictated terms of peace to the defeated and drew up the Covenant of the League of Nations. In 1944-5 there was a whole series of conferences: Bretton Woods to devise a new world monetary system, Dumbarton Oaks and San Francisco to plan the United Nations Organisation, Yalta and Potsdam to decide the fate of the "liberated" countries in Europe and of defeated Germany itself.

Last weekend I found myself attending a similar conference among the victors of the cold war. They were for some reason mainly English-speaking powers, though with a smattering of continental west Europeans. The Japanese representative failed to turn up – which was rather worrying since in his absence the others agreed that Japan should play a leading role in the post-cold-war world, and in particular should pay most of the bills.

Less surprising was the absence of anyone from what people kept calling the Third World, even though they agreed that this was hardly the right term now that the Second World (the former Soviet bloc) had ceased to exist. From time to time an Australian delegate would gently remind us that Third World countries might have views of their own; but on the whole the consensus was that they would be the object rather than the subject of post-cold-war history, the problem rather than the solution. The new world, it seemed, would be a trilateral or "tri-polar" world (North America, Europe, Japan), although we would have to "camouflage trilateralism in wider global institutions." That of course is quite traditional: both the League of Nations and the UN were global institutions designed to ratify the decisions of the great powers of the time.

Equally traditional was the absence of any representative of the defeated powers, although some of us were not entirely comfortable about it. If the cold war was ending with an unconditional surrender like that of 1945, so that we could remodel the Soviet Union and its institutions from the bottom up and re-educate its people, as the victorious powers had done to those of Germany after 1945, then indeed there might be little point in considering the views of the present Soviet leadership. But if what was actually happening was more like the armistice of 1918, then surely the Versailles precedent was rather unhappy.

This was one of the main topics in the Yalta Room – one of three rooms among which the delegates were divided. One delegate reminded his colleagues how dangerous a power could be when it believed itself the victim of an imposed and unjust peace, especially if it retained at least the hard core of its armed forces intact. The Soviet Union in its present state of chaos, weakness and bitter internal strife might not look much of a threat to anyone. Indeed there was general agreement that the Soviet Union as such was finished. But what if there emerged, like Nazi Germany from Weimar, a "paranoid" Russian nationalist regime, in a country which, whatever else changed, was likely to remain a thermonuclear power?

A nasty thought, we agreed.

There was agreement that the Soviet Union as such was finished. But what if there emerged, like Nazi Germany from Weimar, a "paranoid" Russian nationalist regime, in a country which was likely to remain a thermonuclear power?

Better if somehow Russia could be made to feel part of the new order, if the "European" elements in her culture could be encouraged at the expense of the "Asiatic." But, since the cold war was ending, the Russian military threat was no longer our main preoccupation. What worried the Europeans most was the prospect of large-scale population movements, heading towards western Europe from east and south. These movements, it was said, would be economically not politically motivated. Therefore "we would not betray our values" if we decided to turn people back. (Like the boat people?)

Next door, in the Bretton Woods Room, delegates had almost convinced themselves that no radically new rules or institutions were needed to achieve, say, 40 per cent real growth in G7 countries over the next 10 years: just gradually improved co-ordination of fiscal, monetary and international trade policies. At this point, however, their complacency was shattered by a small commando of scientists and scientifically minded diplomats who had somehow infiltrated the meeting. That much "growth" as conventionally measured, these gentlemen asserted, might well cause irreversible climate change and render much of the planet uninhabitable.

Cries of outrage from the economists at the emergence of this "green protectionism": did these people not realise that ruling out growth meant denying four-fifths of the human race any chance to escape from their grinding poverty? Weren't they repeating the error of the Club of Rome 20 years ago, when it crudely extrapolated the future from the past, forgetting the capacity of human beings to adjust consumption through the price mechanism?

Counterattack by the Green diplomats: today, they said, it is not the environmentalists but the carry-on-as-we-are merchants who are blindly extrapolating the future from the past. Indeed the necessary adjustments would have to be made through the price mechanism, but this would have to be done by government intervention in the form of taxation, so that the long-term collective costs of consumption or pollution would be taken into account by the consumer or polluter when he made his individual economic decision.

As for growth, it was a matter of definition. So long as it showed the cutting down of rain forests or the production of carbon dioxide in traffic jams as a plus, without taking into account the destruction of capital involved, it was not much use. "Real growth" would not be incompatible with protection of the environment, but consumption patterns, especially in the developed world, would have to change, often in ways (such as less use of private cars) which would not be popular electorally. Governments could not be relied on to impose such changes, unless as part of an internationally agreed regime, effectively monitored and perhaps even including sanctions for non-compliance.

International organisation as such was being discussed in the third room, the Dumbarton Oaks Room. One bold British delegate suggested that all the postwar international institutions were now obsolete, and that the time had come to sit down and design a completely new set, adapted to the new age. But a more popular view was that it was mainly the cold war which had prevented the institutions of 1945 (the UN system) from working properly, and that now the cold war was over those institutions were at last coming into their own.

The Security Council was working better, thanks to co-operation between the five permanent members. The General Assembly had taken to working by consensus, on issues such as terrorism, the environment or drugs, instead of passing purely rhetorical resolutions against western (or northern) opposition. Peacekeeping, run by the Secretariat under guidelines laid down by the Security Council, had had great successes in Namibia and Nicaragua, and might soon be put to an even tougher test in Cambodia. But could we get back to actual enforcement of Security Council resolutions on recalcitrants, as envisaged in Chapter VII of the Charter? Would there at last be effective sanctions against states that committed genocide, or used chemical weapons, or wantonly damaged the global environment?

At this point I woke up, and found I was not attending an intergovernmental conference at all, only one of those elegant interallied brainstorming sessions at Ditchley Park. As I gazed out at the hayfield running down to the artificial lake I realised it had all been a bad dream. Chemical weapons, global warming and the rest of it seemed as far away and improbable as the earthquake in Iran. Everything was comfortable and familiar. With any luck the cold war would still be on.

LETTERS

Surplus by degrees

From Mr James Murphy.

Sir, Michael Prowse (June 21) is right to be sceptical about the efficacy of market forces in lifting educational standards. As he perceptively observes: "Japan, West Germany, Sweden and France appear to achieve much higher average standards than those in the US, without abandoning democratic control of the schools and relying on market mechanisms."

However, timely though such scepticism is, it is, to judge from the report on a previous page ("Employers find graduate demand easing", June 21), rather too constrained.

As this report indicates, the present educational system, for all its alleged ineffectiveness, now provides the nation with a labour force which is "over-educated" not "under-educated" relative to economic needs.

Not only were 8 per cent of arts graduates and 7 per cent of science graduates in 1988 surplus to economic requirements, but, more pertinently in this context, a considerable proportion of those graduates in work were, according to the report, "under-employed."

Attempts so far to determine the precise extent of such "over-education" suggest that education's ability to produce graduates now greatly exceeds the economy's ability to exploit such an expensive resource.

The Department of Employment, for example, found in its survey of 1980 graduates that some 28 per cent of such graduates were, six and a half years on, in jobs where a higher education qualification was neither required nor helpful.

Or, more recently, as the UK Government report on "Highly Qualified People" revealed: "Only in one third of the jobs to which (employers) had recently recruited new graduates was a degree considered essential."

In the circumstances, to look for ways of making present educational arrangements more efficient is, as far as the economic needs of the UK are concerned, to look the wrong way. If past policy is anything to go by, it will merely ensure that yet again the opportunity for a more sensible balance between education and training will be lost.

James Murphy,
Department of Education,
University of Lancaster

'Greatly to be welcomed'

From Professor J.E. Meade.

Sir, The recent speech in which the UK Chancellor outlined his proposals for the issue by a European Monetary Fund of an alternative independent currency in the form of a "hard" Ecu is greatly to be welcomed.

One criticism of the proposal which Mr Major mentioned, and against which he proposed certain defences, was that the issue of a new additional currency could lead to an increased supply of money and thus to an increased, rather than a decreased, danger of price inflation.

However, if two clear conditions are fulfilled, it could lead only to a decreased danger of price inflation.

The first condition is that it should be the recognised duty of each national central bank, and not of the European Monetary Fund (EMF), to ensure that the rate of exchange between its national currency and the new "hard Ecu" was kept at or near an agreed target level.

For this purpose, each national monetary authority would have to design its own national monetary policy, so as to avoid any domestic inflation which would cause an unwarranted depreciation of its currency in terms of the Ecu.

The second condition is that it should be the role or basic objective of the EMF so to control its monetary policy as to keep the rate of price inflation of the whole EC's production in terms of the Ecu at an agreed moderate level of, say, 2 per cent a year.

This it would aim to do by controlling the rate of interest at which it would issue Ecu currency, and by indulging in open-market purchases or sales of national currencies in return for Ecus.

The setting of this Ecu rate of interest and these open-market purchases and sales would be wholly at the initiative and discretion of the EMF – without any intervention by the national central banks.

Of course there would be problems. But so far as these two basic conditions were successfully observed, Europe would be provided with an alternative non-inflationary currency which could immediately be used by European individuals or corporate bodies for transactions or holding at their own choice. On this basis the governments, if they want, could ultimately construct a full European Monetary Union (EMU) with a single currency.

J.E. Meade,
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The Ecu opens opportunities

From Mr Robert Miller.

Sir, Professor Goodhart (Ecu: a gambling chip? June 22) suggests that Mr John Major's proposal for a "hard Ecu" is defective (in part) because it would offer the holders a call option to buy the hardest national currency in the ERM. It would amount to central banks, through the European Monetary Fund (EMF), effectively underwriting these calls.

He claims that they would be reluctant "to take on such an open-ended contingent commitment." But the commitment is only contingent on the relative weakness of their currencies. No depreciation, no exercise of option and no commitment.

Admittedly, the scheme as currently described seems to allow for a "free rider" problem, as the central banks would not be liable in proportion to the weakness of their currency. The solution might be to force the central banks of the weakest currencies to pick up the bill for the exercise of the option. They would then have an incentive to maintain the strength of their national currency, and prevent the exercise of the option against them.

Of course, central banks will be reluctant to support the "hard Ecu" – but that is an indication of the scheme's attractions.

Robert Miller,
80 Alderney Street, SW1

From Mr Paul Ormrod.

Sir, the Chancellor's proposals on the Ecu are consistent with the European vision. More important, they are deliverable.

He could take a first step in building the necessary infrastructure – and a head of steam – by allowing our market makers in gilt-edged shares to make markets in government (any EC government), Ecu bonds and bills. London would become the pace setter.

Paul Ormrod,
Sally Port, High Road,
Chipstead, Surrey

Converted to tech training

From Mr D.J. Lewis

Sir, Your leader refers to the desirability of altering the emphasis in the city technology college (CTC) programme, to convert existing properties rather than create brand new colleges (June 14). This is already happening.

The Harris CTC in North Croydon, of which I am a sponsor, will reopen this year, following its conversion from an school fully in use, into a CTC.

The local education authority has granted a long lease at a premium of £4m (which will no doubt be redeployed into other educational initiatives within the borough). The Department of Education, in association with the sponsors, is converting and modernising the existing school into a fully equipped CTC. The new first-year CTC students will join the remaining students in the school, whose educational programme will be closely co-ordinated with the new curriculum. Substantial mutual benefits may be anticipated.

We believe that this particular approach, enabling existing schools to form the base of a new technical training initiative, is giving exceptional value for money.

D.J. Lewis,
76 Gloucester Place, W1

Takeover most fowl

From Mr Simon Rippon.

Sir, I note with concern that your photograph of Thames Water's proposed wildfowl reserve on the Barn Elms reservoirs (FT, June 15) features a pair of fat Canada geese and a flock of six offspring.

These aggressive immigrants with their ugly foghorn voices have only come to the region in the past few years, but they are breeding at such a rate that they threaten to take over from all other species.

As one who rows on the nearby Thames most mornings, and is happy to share the river with swans, ducks, herons and many others, I regret to say that it is we who will soon need protecting. I would ask that Thames Water should consider opening its wildfowl reserve with a gigantic cull of Canada geese.

Simon Rippon,
8 Ruvigny Mansions
Putney, SW15

FINANCIAL TIMES
Tuesday June 26 1990

Olympian task of filling Canary Wharf

David Lascelles watches the comings and goings at Europe's biggest building site

CANARY WHARF, the large commercial development under construction in London's Docklands, yesterday gained one big tenant, but lost another.

American Express, the US travel and financial services group, announced plans to locate its new European headquarters on the 71 acre site, occupying 300,000 square feet.

However, Merrill Lynch, the US brokerage firm, said it had decided to cancel earlier plans to take space after failing to reach agreement with the developers.

The announcements leave the amount of space so far taken up at just over 2m square feet, or about one fifth of the total 10.4m planned.

Mr James Robinson, American Express chairman, said the new headquarters "will give us the flexibility to accommodate our future business plans while substantially containing real estate costs."

The new headquarters will house American Express International, which includes travel-related services, American Express Bank and Consumer Financial Services, as well as subsidiaries such as Boston Safe Deposit & Trust Co, and Acuma, a financial planning firm.

But the largest proportion of space will be taken by Lehman Brothers International, the group's investment banking arm which is currently located in Broadgate in the City of London.

Altogether, American Express will move about 1,500 staff from six buildings to Canary Wharf in May 1992.

Mr Michael Dennis, managing director of Olympia & York, the Canadian developers of Canary Wharf, said: "Today's announcement together with the tenants to date clearly demonstrate the depth of demand for space of the quality to be found at Canary Wharf."

He said O&Y now had "anchor tenants" for six of the first eight buildings under construction, and by the end of the year it would have major tenants for the two remaining buildings being built under phase one.

Merrill Lynch had signed up for 240,000 square feet. But a spokesman said last night that the company had been unable to reach agreement with O&Y "on terms that would meet our various business needs". He declined to elaborate. O&Y has offered to put new proposals to Merrill in an effort to persuade it to change its mind, and Merrill said it was willing to consider them.

The American Express deal was the second in less than a week following the agreement by Manufacturers Hanover, the US bank, last Friday to take up 200,000 square feet. The venture – the largest of its kind in Europe – is still therefore making net progress.

The new lettings add some credibility to a project which has to fight a constant battle against the sceptics. But they also make earlier letting agreements more secure. As Mr Andrew Walker, property market analyst at BZW, the British investment bank, pointed out yesterday, firms which agreed to take space when the project was in its infancy had let-out clauses if insufficient space was let.

There was speculation yesterday that the recent flurry of lettings might be due to the fact that O&Y was approaching deadlines to satisfy the requirements of earlier leases that a certain proportion of the project be let by now.

Nonetheless, the precise terms on which companies are taking space at Canary Wharf remain shrouded in the same mystery as Olympia & York like to cover their own affairs. This has given currency to rumours – always denied by the company – that potential tenants were being given enormous inducements to sign up.

There was no indication of the term or cost of American Express' agreement, or whether it included grace periods. Nor would the company say whether Olympia & York had agreed to assume responsibility for American Express' existing leases in London. This is common O&Y practice, and was used when American Express agreed to become an early tenant in O&Y's huge development off Wall Street, the World Financial Centre.

O&Y would only say yesterday: "We shall be working with American Express to dispose of their leases".

Although O&Y's publicity refers to "amount of space taken", some of the companies have only signed letters of intent which do not bind them to take up a tenancy contract.

The continuing doubts about the project centre on a number of points. One is the state of the Docklands themselves, which will be a massive construction site for most of this decade. Another is Docklands' notorious transport and access problems. Although these are being addressed, the key underground rail link is not due to be opened until 1996.

But a further point is that all the major tenants so far have been American. Although O&Y have been knocking on every door in the City of London, they have so far been unable to persuade any large domestic institution to move there.

East Berlin opposes power takeover plan

By David Goodhart in Bonn

A PROPOSAL from West Germany's three main power utilities to take a controlling stake in the East German power supply industry has run into opposition from the East German Volkskammer (parliament) and from the West German Cartel Office.

The proposal from RWE, Preussen Elektra (part of Veba) and Bayernwerk, which was due to have been signed tomorrow, could turn into another competition policy test case for the East German economy and a tense political battle between a host of institutions in the two Germanys ranged on different sides of the argument.

The West German utilities confirmed yesterday that talks had been going on "at the wish of the East German Government" and Mr Hermann Krämer, of Preussen Elektra, said that an investment "in the two-figures billions of D-Marks" had been discussed.

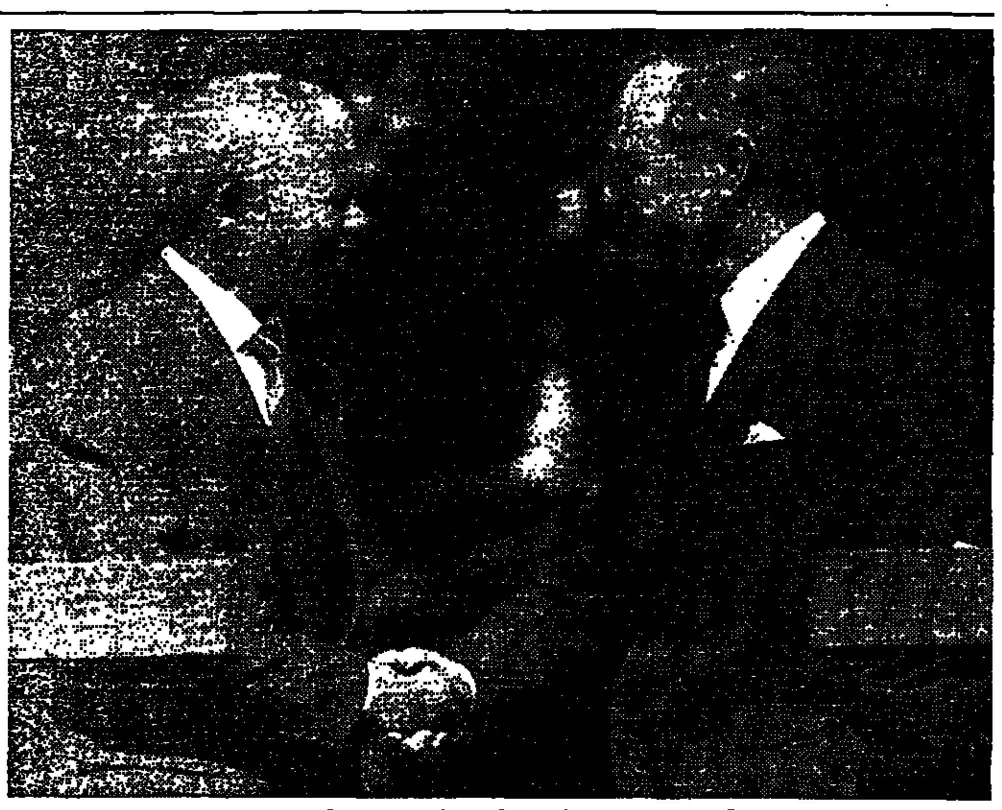
According to press reports the three utilities want to take over East Germany's 15 regional electricity suppliers and the electricity net but want to avoid responsibility for liabilities arising from environmental damage and for the country's nuclear plants.

About 80 per cent of electricity currently comes from burning highly-polluting brown coal (lignite), a share which may even rise slightly after the decision to phase out all four of the existing reactors at the Greifswald nuclear reactor.

The East Germans have until 1996 to bring their emission controls up to West German levels, but the East Berlin Environment Ministry, which along with the East Berlin Cartel Office appears to have approved the deal with the utilities, wants to move faster if possible.

RWE is already building a DM500m de-sulphurisation plant for the brown coal plant at Thierbach, near Leipzig, and Preussen Elektra and Bayernwerke are building small power stations at Rostock and Lübeck for East German supply. The companies have, however, now made it clear that they want a large equity share in the East German system, in return for pumping in new investment and technology.

The West German Economics Ministry shares many of the reservations of the Cartel Office and has proposed a far more competitive electricity supply system for East Germany.



President Bush (right) greets Nelson Mandela at the White House yesterday

Bush and Mandela move closer over S African armed struggle

By Lionel Barber in Washington

PRESIDENT George Bush and Mr Nelson Mandela, deputy president of the African National Congress, yesterday narrowed their differences over the use of violence to end apartheid in South Africa.

Mr Mandela stopped short of meeting US demands for a renunciation of the armed struggle, but he revealed that the ANC was ready to announce a "cessation of hostilities" if, as expected, the next round of talks with President de Klerk of South Africa proved successful.

The Bush administration welcomed Mr Mandela's remarks and said the two leaders had reached "a greater understanding" on other issues including sanctions, the need for financial aid to the ANC, and the course of future negotiations with Pretoria.

The violence issue threatened to mar yesterday's two-hour White House meeting, the high-point of what has so far been a triumphant 12-day tour of the US for Mr Mandela. Today, the 71-year-old black leader addresses a joint session of the US Congress.

In his opening remarks, Mr Bush invoked Dr Martin Luther King, the slain civil rights leader and called on all parties in South Africa to end violence. The US was looking for "a clear and unequivocal commitment to negotiations leading to peaceful change."

Mr Mandela gave an ambiguous response, reserving the right to pursue the armed struggle while making clear that the ANC would not use violence as long as negotiations continued with the South African government.

However, in words which US officials later described as "significant," Mr Mandela added: "We are also addressing ourselves to means and methods of helping Mr de Klerk to maintain his position with confidence and go ahead with the negotiations."

At a news conference, Mr Mandela explained that the ANC was prepared to suspend all violence if, as expected, agreement was reached with Pretoria removing the remaining obstacles to full negotiations on a new multi-racial consitution for South Africa.

These obstacles included the release of political prisoners, full lifting of the state of emergency, and the return of 20,000 South African exiles, as well as the repeal "repressive legislation" which Mr Mandela conceded could not happen immediately.

If these conditions are fulfilled, the Bush administration would be in a position to modify or suspend economic sanctions imposed by the 1986 Comprehensive Anti-Apartheid Act. If the ANC announced the suspension of violence, it could be eligible for a portion of $10m of US aid set aside for black groups in South Africa.

Mr Mandela has made the maintenance of sanctions a top priority of his US tour, arguing that any premature move would undercut the ANC's bargaining position with Pretoria.

Food price rises prompt riots in Zambian capital

By Mike Hall in Lusaka

ARMED Zambian police fought running battles in the capital Lusaka yesterday with thousands of stone-throwing students and shanty town residents who were protesting against the doubling of the price of maize meal last week.

Police sealed off the city centre after demonstrators began looting shops on Cairo Road in the heart of the business district.

Bursts of automatic gunfire rang out over several impoverished settlements in eastern Lusaka and tear gas swept through side streets as police tried to disperse rioters for most of the day.

Residents in one area said they had seen two people shot, but did not know whether they had been killed or injured. Other witnesses claimed to have seen a policeman killed. Scores were injured after being kicked and beaten with truncheons by police and paramilitary forces.

Many others were arrested. State-run shops were looted in some areas, while others closed amid fears that the rioting would spread.

The fighting poses one of the most serious challenges to the authority of President Kenneth Kaunda since he took office in 1964 and threatens to undermine the Government's economic recovery programme. The cut in subsidies is part of IMF-approved economic reforms launched last year.

Reforms at risk, Page 7

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	25	77	Dallas†	F	26	79	Madeira	C	22	72	Prague	F	21	70
Algiers	S	21	[illegible]	Dublin	F	17	63	Madrid	S	31	88	Reykjavik	F	12	54
Amsterdam	C	12	54	Dubrovnik	S	29	84	Majorca	S	30	86	Rhodes	S	34	93
Athens	S	35	95	Edinburgh	C	17	63	Malaga	F	30	86	Rio de Janeiro		–	–
Bahrain	S	34	93	Faro	C	23	73	Malta	C	32	90	Rome	S	28	82
Barcelona	S	25	77	Florence	S	32	90	Manchester	C	15	59	Salzburg	S	23	73
Belfast	C	15	59	Frankfurt	F	24	75	Melbourne	F	8	46	S'Francisco†	S	12	54
Belgrade	C	25	77	Geneva	S	24	75	Mexico City		–	–	Santiago		–	–
Berlin	C	20	68	Gibraltar	C	24	75	Miami†	S	26	79	Seoul	R	24	75
Biarritz	S	29	84	Glasgow	C	14	57	Milan	F	29	84	Singapore	F	27	81
Birmingham	C	12	54	Guernsey	C	16	61	Montreal†	R	15	59	Stockholm	F	24	75
Blackpool	C	16	61	Helsinki	S	24	75	Moscow	C	20	68	Strasbourg	S	24	75
Bombay	Dr	32	90	Hong Kong	S	30	86	Munich	S	23	73	Sydney	S	9	48
Bordeaux	S	29	84	Innsbruck	S	25	77	Nairobi	F	23	73	Tangier	F	25	77
Boulogne	C	18	64	Inverness	C	15	59	Naples	S	30	86	Tel Aviv	S	29	84
Bristol	S	18	64	Isle of Man	S	15	59	Nassau		–	–	Tenerife	S	24	75
Brussels	C	21	70	Istanbul	F	26	79	Newcastle	S	19	66	Tokyo	C	30	86
Buenos Aires		–	–	Jersey	C	18	64	New Delhi	F	36	97	Toronto†	S	16	61
Budapest	F	22	72	Johannesburg	S	17	63	New York†	S	21	70	Tunis	S	32	90
Cairo	S	35	95	Las Palmas	S	25	77	Nice	S	27	81	Valencia	S	28	82
Cape Town	S	13	55	Lima	C	16	61	Nicosia	S	30	86	Venice	S	26	79
Cardiff	Dr	17	63	Lisbon	C	25	77	Oporto	F	26	79	Vienna	F	22	72
Chicago†	S	17	63	Locarno	C	26	79	Oslo	C	14	57	Warsaw	F	19	66
Cologne	F	22	72	London	C	20	68	Paris	S	25	77	Washington†	S	20	68
Copenhagen	F	18	64	Los Angeles†	S	16	61	Peking	C	27	81	Wellington	S	14	57
Corfu	S	31	88	Luxembourg	F	23	73	Perth	F	15	59	Zurich	S	24	75

C–Cloud, Dr–Drizzle, F–Fair, Fg–Fog, H–Hail, R–Rain, S–Sunny, Sl–Sleet, Sn–Snow, T–Thunder
† Noon GMT temperatures

Move to block Bonn truck tax

By Tim Dickson in Brussels

THE European Commission yesterday underlined its determination to stop West Germany imposing a controversial tax on foreign trucks from the start of next month.

In a move which took many observers by surprise, Brussels said it was pursuing an accelerated legal procedure in the European Court which could be heard as early as this week.

At issue is the legality of a tax set at between DM2,000 ($1,190) and DM9,000 a year which will be levied on all trucks entering the Federal Republic from 1 July. Approved virtually unanimously by the German Parliament, it has been justified as being little different to the *péage* payments which France, Italy and Spain charge motorists for using their best motorways.

The Commission, however, maintains that the tax poses a grave threat to the idea of a common transport policy and discriminates against non-Germans because of the way local lorry owners will receive an equivalent reduction in their national road tax.

Failure to stop Bonn would also be seen as a serious setback in the battle to lift border controls by the end of 1992.

EC officials say the application for an instant injunction, which could be granted before West Germany has had a chance to put its written case, is necessary because of the fast approaching deadline.

There is considerable concern at the prospect of border disruption if confused or unwilling hauliers refuse to pay.

The Germans, adamant in the face of fierce pressure from their powerful domestic road transport lobby, say they are prepared to confiscate lorries which break the new law.

THE LEX COLUMN

Caterpillar stops in its tracks

Caterpillar was tempting fate when it decorated the cover of its last annual report with a picture of one of its earth-movers building an airport near Osaka. Behind yesterday's gloomy profits warning from the second largest US exporter, after Boeing, lay a number of factors; but Japan loomed large amongst them. Recession in Brazil, a weak construction market at home and delays in finishing a plant modernisation programme have all taken their toll, to the point where Caterpillar expects earnings per share this year to be well below 1989's $4.90, itself well down on 1988's $6.07. But of much wider relevance is the further evidence of how hard an uphill struggle US capital goods companies are having against their Japanese rivals, in Caterpillar's case its arch-enemy Komatsu.

A large part of the problem for Caterpillar has been the near-30 per cent strengthening of the US dollar against the yen since the latter part of 1988. The company depends on exports for 53 per cent of sales. But Caterpillar has also had to invest hugely to stay competitive with Japan: since 1986, capital expenditure has totalled $2.7bn, plus another $1.7bn of research and development spending; Caterpillar's long-term debt is now $1.8bn. It is in the same boat in this respect as other US capital goods companies such as Cincinnati Milacron and Cummins Engine, which have been finding it tough to generate any earnings momentum.

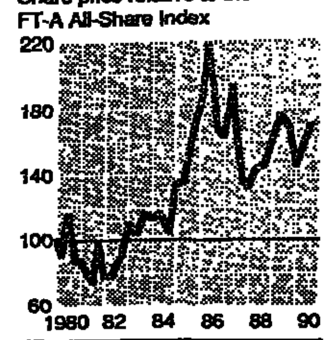
Caterpillar's warning is also a reminder of the shaky foundations of the Wall Street rally which has taken the Dowclose to the 3000 mark. For the likes of Coca-Cola or Procter & Gamble, 1990 may look better than expected; but construction-related stocks like Caterpillar are looking exposed.

Gilts

The UK equity market began the new account in good form; but if it is to maintain its momentum it will need the continued support of the gilt-edged market. Since the two markets turned at the end of April, the FT-SE 100 has risen by 14 per cent and long bond yields have fallen by 140 basis points. In the near term, gilts will probably take their lead from sterling; after the 5 per cent appreciation in the currency there could well be some profit taking, unless the ERM rumour machine can somehow be cranked up yet again. UK institutions are wary of selling into an illiquid market and foreign investors are waiting for a firmer committment on EMS entry. But in real terms, UK bond yields of under 4 per cent do not look particularly attractive.

Siebe

Share price relative to the FT-A All-Share Index



Siebe

Yesterday's 5 per cent drop in the Siebe share price, while perfectly understandable, could be a touch hasty. The $650m Foxboro deal may or may not be dilutive; but it also fits closely to the Siebe formula. This will be the fourth substantial US acquisition in four years, all broadly in the area of industrial controls. And though Foxboro is in much worse shape than its predecessors, Siebe has bought and turned round loss-makers before, such as CompAir in 1985.

That said, Foxboro's history is gruesome. It has made cumulative pre-tax losses over the past five years of over $100m. On several occasions it has passed its dividend. Nevertheless, says Siebe, there will be no dilution. Assuming a full year interest cost of some $65m, this would involve Foxboro moving abruptly from an operating margin of almost nil to 11 per cent. This is a couple of points lower than Siebe's own margin; but how the trick is to be done so swiftly is not made clear.

The longer term case is that Foxboro has spent heavily on a new generation of process controls which – despite an awkward history of not working properly – are supposedly state of the art. Siebe is thus buying a development company with an established brand name, the end result being a US-based controls business with sales of $1.9bn, or almost 65 per cent of the total company. And for once, it is to be done without Siebe upsetting the market with cash calls.

The UK market, that is. Seduced by the claims of its advisers that the US business would sell on 15 times earnings instead of the 9 times the whole group fetches at home, Siebe is planning some kind of US fund-raising. But as BTR has apparently found, this kind of thing is easier to talk about than to put into effect. And from the viewpoint of the existing shareholders, when your company is shelling out the kind of money Siebe is paying for Foxboro, there is much to be said for the pressure of the banks as a financial discipline.

Canada

The initial muted reaction in the financial markets to Canada's constitutional crisis may be the lull before the storm. But it could also mean that markets are better than the domestic politicians at judging the economic consequences of an affair which is likely to drag on for a long time to come. Politics obviously have a part to play in assessing any country's credit risk; but then, Canada's near 10 per cent real interest rates provide a considerable cushion.

Whatever happens to the Canadian political system, it is hard to see the result damaging the long-term prospects of blue-chip Canadian companies like Seagram, Northern Telecom, Alcan and Inco. The rising political worries have long since been discounted in the bond markets, where Canada is having to pay a substantial premium for foreign funds. Its core inflation rate is little different from the US, yet the spreads between US and Canadian Government paper are at near record levels. In the short term at least, the course of local interest rates and the currency will have a far more material influence than the bickering between the local Canadian politicians.

Canada's attractions to foreign equity investors as a cheap way into the North American market are likely to remain intact whatever the outcome. However, the currency remains the big worry. It has appreciated against the US dollar on the back of the high interest rate policy and is now over-valued by almost any criterion. But the economy is flat and the pressure to avert a recession is growing. At some stage Canadian interest rates will have to fall. This will be the real test for the currency.

FINANCIAL TIMES

COMPANIES & MARKETS

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Tuesday June 26 1990

INSIDE

Elders IXL sells stake in Elders Resources

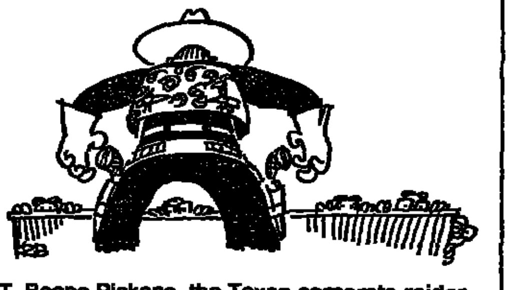
Elders IXL, the troubled Australian brewing conglomerate headed by John Elliott (left), has sold its controlling stake in Elders Resources NZFP for a loss. The sale to a New Zealand forestry group is the latest in an asset disposal programme aimed at streamlining the group's operations.

Page 24

Dairy Farm moves into NZ

Dairy Farm International, a retailing and wholesaling offshoot of Hong Kong's Jardine Matheson group, is making its second international takeover in six weeks. It is to acquire Woolworths (New Zealand) from Lion Nathan, New Zealand's largest brewing and hotel group. John Elliott looks at Dairy Farm's moves abroad and the acquisition of New Zealand's leading supermarket chain. Page 24

Pickens, pen and sword

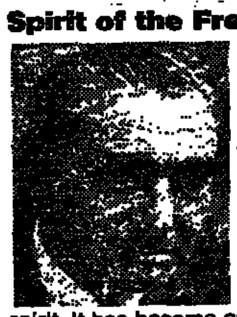


T. Boone Pickens, the Texan corporate raider, arrived in Tokyo last week ready to cross swords with Koito Manufacturing, the Japanese automotive parts maker. Within days, there were sharp words from both sides as they prepared for the company's annual meeting on Thursday. Stefan Wagstyl reports. Page 27

Gestetner advances 33%

Gestetner, the UK office equipment and photocopier distributor, recorded a 33 per cent increase in pre-tax profits in the six months to April 30. Hanimex, the Australian photographic equipment group acquired by Gestetner last year, was hit by softening consumer markets in Australia and the UK, yet it still managed to contribute £6.6m ($11.3m) to trading profits. John Thornhill reports. Page 30

Spirit of the French revolution



Roux Séguéla Cayzac & Goudard, one of France's largest advertising agencies, was born amid the revolutionary spirit which swept the country in 1968. "It was a time when independence was important," says Bernard Roux, chairman (left). The group has retained some of that spirit. It has become an international company with interests in every area of marketing. Alice Rawsthorn reports. Page 24

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Altana	533	+	17.5
Kali & Salz	279.5	+	12.5
Siemens	757.3	+	15.7
Falls			
Brown Boveri	960	–	10
Hoesch	336	–	12.5
Holzmann (P)	1665	–	15

NEW YORK ($)

Rises			
Foxboro	51	+	12⅞
Honeywell	98¼	+	1¾
Newmont Gold	40¾	+	1
Philip Morris	46⅜	+	1¾
Falls			
Armco	7⅜	–	1⅛
Caterpillar	58⅝	–	4⅞

PARIS (FFr)

Rises			
Elf Gabon	1270	+	57.5
Eurotunnel	48.2	+	2.4
Primagaz	782	+	35.8
Falls			
Luchaire	475	–	19.2
Michelin	99.2	–	8.3
Moulinex	98.6	–	9

TOKYO (Yen)

Rises			
Daiki Eng	1060	+	70
Hitachi Powder	1290	+	80
Nichiei Cons	2920	+	200
Falls			
Carolina	1000	–	100
Shiusawa Ware	1040	–	110
Sumitomo Coal	991	–	89

New York prices as at 12.30pm.

LONDON (Pence)

Rises			
Allied-Lyons	508	+	16
Am. Business	179	+	6
Britannic	709	+	10
Broadwell	60	+	10
Eurotunnel	490	+	30
IoM Steam	116	+	21
Laing (John)	303	+	12
Parkfield	168	+	15
Priest Marians	215	+	27
STC	256	+	8
Scot.& New.	337	+	11
Stan. Water	148	+	6
Spryhawk	237xd	+	15½
Std.Chartered	480	+	7
TACE	207	+	26
Tarmac	284	+	11
Unilever	703	+	11
WPP Grp.	818	+	9
Wellman	35	+	5½
Wimpey (Geo.)	255	+	10
Falls			
Maskin	22	–	6
Rothmans	759	–	14

Siebe to buy Foxboro for $656m

By Nikki Tait in London and Rod Oram in New York

SIEBE, the acquisitive UK engineering group, has agreed to pay $656m for Foxboro, the loss-making process controls supplier based in Massachusetts.

Siebe is making a recommended cash tender offer at $52 a share, valuing the US company at $656m. The deal is being financed by bank borrowings, but Siebe said it was considering a separate flotation of Siebe Inc, the holding company for its US interests.

Siebe has already built up a significant position in the controls equipment market, partly through US acquisitions such as Robertshaw for $466m in 1986 and Barber Colman for $228m in 1987. The Foxboro deal will take it into process control systems, and shift it towards heavy industrial users in petrochemicals, pharmaceuticals and food-processing.

Foxboro, founded in 1908, has had a difficult time since it reported net profits of $34.8m on sales of $603.4m in 1982. Thereafter, the company suffered from "bad management and bad luck," according to one analyst, turning in five years of slim profits and two of steep losses on lower sales. In 1989 it reported a net loss of $4.6m on sales of $598m.

In the past couple of years it has been burdened by the costs of developing a new automated product range, which has been hit by computer software problems.

The cost of improving the products and fixing newly installed systems under warranty pushed the company into losses for the past three quarters and it only expects to break even this quarter. Foxboro and its analysts say, however, that the problems are behind the company and order prospects for the systems are bright. Wall Street believes net profits could rebound during the early to mid-1990s to the $35m a year level last seen in the early 1980s.

But even that level, equal to about $3 a share, would still represent a hefty multiple on Siebe's purchase price of $52 a share.

"The problems with the new generation of equipment are largely solved," said Mr John Adams, chairman of Adams, Harkness and Hill, a Boston stockbroker.

Foxboro decided to put itself up for sale earlier this year. Several companies from around the world made bids which were "very competitive" to Siebe's, according to Salomon Brothers, Foxboro's investment bankers.

Yesterday, Mr Barrie Stephens, chief executive of Siebe, conceded that Foxboro's track record was "not Olympic gold medal standard", but claimed that the deal should not lower Siebe's earnings per share after financing costs.

He was less precise about how might be achieved, although he pointed to strains which the development of the new automated product line had put on the business, with investment amounting to $250m over the past five years.

Mr Stephens also suggested that there was a need to establish "correct" selling prices and engineering budgets, to expand sales, and to ensure that there was no waste within the company. He would not be drawn on any rationalisation plans, saying only that "we are looking at it all very carefully."

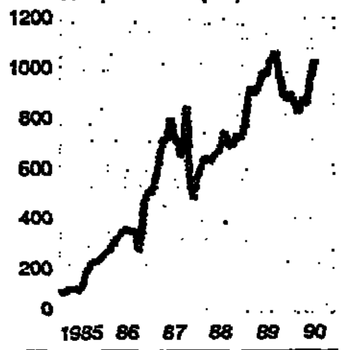
The UK company has arranged a $1bn loan facility, led by Bankers Trust, to fund the deal and refinance existing borrowings. Chemical Bank, National Westminster, and Lloyds Bank are also participating in this package.

Immediately after the acquisition, Siebe's gearing will rise to just over 100 per cent, compared with a little over 30 per cent at the last year-end.

Siebe said that its advisers were studying the various possibilities for floating some of the equity of Siebe Inc. According to Mr Stephens, a significant minority stake – perhaps 25 per cent – might be passed to external shareholders. Siebe Inc's annual sales, including Foxboro, would be around $2bn, about two-thirds of the group total. In London, one analyst estimate that Siebe Inc might attract a market capitalisation of £1bn, with a flotation raising perhaps £250m for the UK parent company.

Siebe's shares fell 25p to 505p.

Siebe



Michelin to cut over 2,000 jobs at Clermont-Ferrand

By William Dawkins in Paris

MICHELIN, the world's largest tyre group, yesterday announced that it will shed 2,260 jobs, 4.6 per cent of its total workforce, because of a fall in demand and prices in the French and US car industries.

The long-awaited decision comes days after Mr François Michelin, the group's chairman warned a shareholders' meeting that the group might return to losses and that the next two to three years would be difficult.

Michelin's share price fell by FFr9 to FFr99.2 on the news, an 8 per cent drop, bringing to 42 per cent the share price fall since the turn of the year.

Until Mr Michelin's announcement, Paris analysts had been forecasting a net profit of FFr1.5bn ($265m) for the French company this year, as against last year's net earnings of FFr2.65bn.

The French company landed itself with heavy debts with last September's $1.5bn takeover of Uniroyal-Goodrich of the US. The deal lifted its share of the $46bn per year world tyre market to 21.5 per cent just as demand from its main customer, the car industry, started to soften.

Meanwhile, Michelin's competitors are forcing prices down to try to hold market share, at a time when costs continue to rise.

The latest reductions bring to 12,559 the number of French employees Michelin has lost in three rounds of restructuring over the past seven years, bringing its workforce in France to 49,000. All the job losses will be made at Michelin's plant at Clermont-Ferrand in central France. This has five factories and a research and marketing centre. Angry workers have been demonstrating at Clermont-Ferrand over the past week in anticipation of the announcement.

As on previous occasions, the job cuts will be voluntary. Workers have until the end of next March to apply for a range of redundancy, retraining and job creation schemes.

Michelin has already been forced to cut investment plans and seek cost reductions because of an unexpectedly strong fall in demand for replacement tyres in France, down 9 per cent in the first two months of this year, and demand for new tyres in the US.

Car sales in the US – where Michelin makes a quarter of its sales – fell 22.5 per cent in the first quarter of the year, while the European car market looks as if it will be flat this year, say Michelin officials.

During its last financial year the group's sales climbed by 6.6 per cent from FFr51.8bn to FFr55.2bn. On these net profits improved from FFr2.59bn to FFr2.65bn. But the figure included a one-off FFr250m capital gain from a sale to Citroën of shares that Michelin held in the French car group's Spanish subsidiary.

Stripping out this one-off gain, the tyre group's underlying profit fell slightly to FFr2.4bn.

Sir James Sherwood: opening hostilities in the Irish Sea

Sea Containers launches bid for Steam Packet

By Sue Stuart in the Isle of Man and Ian Hamilton Fazey in Liverpool

SEA CONTAINERS, the UK ferry and ship container group, yesterday launched a bid for control of the Isle of Man Steam Packet Company. The 160-year-old ferry operator promptly rejected the bid.

Mr Norman Corlett, The Steam Packet chairman described the bid – which values the group at £17.25m ($30m) – as opportunistic.

Sea Containers, headed by Sir James Sherwood, already owns 41 per cent of The Steam Packet. The group undertook not to increase the holding while it owned a controlling interest in Sealink (UK). But in April this year, Sealink was sold to Stena, a Swedish ferry operator, in a deal which ended a long-running hostile bid for Sea Containers.

The Steam Packet's shares remained at a low of about 70p until speculation began to push up the share price in the middle of last month. News of yesterday's offer of 115p-per-share in cash pushed the price from 95p to 116p.

Sea Containers wants to own up to 75 per cent of the stock, gaining control of the company, but retaining its Stock Exchange listing.

Mr Nigel Tatham, chairman of Seabox, the vehicle for the bid, and a senior vice-president of Sea Containers, said: "We are very sensitive to the fact that The Steam Packet is dear to Manxmen's hearts, as is the fact that it is listed on the Stock Exchange."

Sea Containers is also offering improved fare concessions for remaining stockholders. The move echoes last year's contested bid for the Southampton Isle of Wight and South of England Royal Mail Steam Packet, in which travel discounts played an important part.

Mr Tatham said a controlling interest would enable the group to put greater financial, technical and marketing resources into The Steam Packet. The group is considering using a high-speed catamaran ferry on the Irish Sea routes, similar to the one which claims the Blue Riband for the fastest transatlantic passenger crossing.

A successful bid for the Isle of Man Steam Packet Company would be the final victory in Sea Containers' battle for control of the Manx ferry operator.

The Steam Packet sailed into trouble 12 years ago by sticking to poorly furbished side-loading ferries and rejecting modern roll-on, roll-off ships.

But side-loaders cannot handle containerised freight, so Manx Line – a passenger and freight roll-on, roll-off service – was formed by island businessmen. The Steam Packet added a small, freight-only, roll-on, roll-off vessel on its Liverpool route. A bitter and price war ensued.

With the decline of tourism, the market was not big enough for both companies. By 1985 The Steam Packet was near collapse and Sea Containers took a 40 per cent stake in a bid to improve the service.

British Steel in talks to purchase USX operations

By Martin Dickson in New York and Charles Leadbeater

BRITISH STEEL is one of several companies which have held discussions with USX, the US steel and energy group, over buying parts of its steel operations.

The talks underline British Steel's interest in following other large European and Japanese manufacturers in buying steel operations in North America. British Steel and USX made an abortive attempt to form a joint venture in 1983.

Mr Charles Corry, USX's chairman, said in an interview with the Wall Street Journal recently that no specific bids had been made and he indicated there was little likelihood of an immediate sale. Elaborating, a company spokesman said USX might have a dozen or more discussions a year over possible deals and very few would lead even to substantive negotiations. Mr Corry's remarks suggest that USX, the largest steel-maker in the US, is reconsidering its commitment to the industry following its victory earlier this year in a shareholder voting battle against Mr Carl Icahn, the financier, who was seeking to split the business into separate steel and energy companies.

British Steel did not deny holding talks with USX, although it refused to confirm the negotiations had taken place.

A deal with USX would be British Steel's most ambitious attempt to internationalise its operations since its privatisation in December 1988. Sir Robert Scholey, British Steel's chairman, said earlier this month that the company urgently needed to reduce its reliance on the UK market by expanding its international manufacturing operations.

The talks suggest British Steel is pursuing that strategy with gusto. Only last week it announced its first significant acquisition on the European continent in the form of the sectional steels division of Klöckner-Werke, the West German group.

However many analysts believe its ambitions for further takeovers in Europe will be limited by the extent of state ownership in the industry. As a result many believe it will turn to the US for its next major move.

Mr Martin Llowarch, British Steel's chief executive said recently that it would want a substantial operation in the US, including primary steel manufacturing to avoid reliance on its UK manufacturing plants.

Partial Atlantic pay-out likely

By David Owen in London

CREDITORS of Atlantic Computers plc, the main holding company of the failed computer leasing group under investigation by the Department of Trade and Industry (DTI), could be paid up to half the approximately £100m ($172m) owed to them, according to a former director. But prospects of those owed money by Atlantic Computer Systems, the principal UK subsidiary, appear considerably bleaker.

Several UK and foreign banks are owed a total of £98m by Atlantic Computers plc, the former director said. In addition, various employees and trade creditors are owed money.

Administrators were summoned to Atlantic in April by its parent, British & Commonwealth Holdings, the diversified financial services group which has since been put into administration. Atlantic's administrators – Price Waterhouse – subsequently stated that overall claims against the Atlantic group might reach £1bn. Price Waterhouse said yesterday that it would be "inappropriate" at this stage to comment on future pay-out prospects.

Meanwhile, the joint administrators of B&C yesterday confirmed that they wished to retain significant holdings in both Exco International, the money broker, and Oppenheimer Management Corporation, the US fund management subsidiary.

They also admitted for the first time that "regrettably there will be some redundancies" at B&C. They described as "premature", however, reports that the group's shares might be refloated.

According to the former director, pay-out prospects for the holding company's creditors depend largely on the recovery of money owed by Atlantic's main US operating subsidiary, which is still operating normally.

Leading bank creditors of the holding company were as follows, the former director said: Midland, £20m; Barclays, £12.5m; National Westminster, £9.8m; Crédit du Nord, £9m-£10m; Crédit Lyonnais, £8.3m; Riyad Bank, £6m; ASLK-CGER Bank, £5m; Banco di Roma, £4.7m; Sanwa Bank, £4.7m; Banque Nationale de Paris, £3.8m; Banque Indosuez, £3.2m; London Italian Bank, £2.9m; and Lloyds, £2m.

Confirming that his bank was exposed to Atlantic, the London-based general manager of one large European bank said he found it "surprising and somewhat alarming" that "we are yet to receive an invitation from the administrators to be informed of what is going on."

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Dairy Farm to acquire Woolworths (NZ) chain

By John Elliott in Hong Kong and Dal Hayward in Wellington

DAIRY FARM International, a retailing and wholesaling offshoot of Hong Kong's Jardine Matheson group, has agreed its second international takeover in six weeks by saying that it is to acquire Woolworths (New Zealand) from Lion Nathan, New Zealand's largest brewing and hotel group.

It will pay some NZ$280m (US$163m) cash for the company. Woolworths is New Zealand's leading supermarket chain, with 62 stores, and meat processing and distribution plants.

In mid-May Dairy Farm announced a US$126m cash takeover of Spain's lossmaking Simago chain of 107 stores from Grupo March. This was its first entry into continental Europe and its first controlling stake outside the Asia-Pacific region. In the UK it has a 25 per cent stake in the Kwik-Save group.

Lion Nathan invited tenders for Woolworths last month. It is building up cash reserves to back its bid for the Australian brewing interests of Mr Alan Bond's debt-strapped Bond Corporation. Mr Douglas Meyers, Lion Nathan chief executive, said yesterday he expected to acquire the Swan, Castlemaine XXXX and Toohey's operations before Christmas.

Bond is attempting to transfer the units to Bell Resources, an independently managed offshoot. The proposal by the New Zealand brewer is understood to involve buying the 20 per cent stake in Bell Resources now held by the Adelaide Steamship investment company.

The New Zealand group is the product of a merger three years ago between the Lion brewer and Nathan, the retail group which owned Woolworths. The chain is unrelated to the British, US and Australian outlets of the same name.

Mr Owen Price, Dairy Farm managing director, said the takeovers in Europe and Australasia were logical despite their wide geographical spread. The Spain acquisition took Jardine into Europe, where it wanted to expand ahead of the creation of the single market in 1992, while New Zealand's Woolworths complemented Dairy Farm's existing 190 Franklins supermarkets in Australia. They also had considerable growth potential.

Dairy Farm had been influenced by a trade agreement between Australia and New Zealand which would help the development of both businesses. Woolworths would also give Dairy Farm its first sourcing base in New Zealand for meat and dairy products.

Within the Asia-Pacific region, Dairy Farm operates 711 outlets including Wellcome supermarkets and other stores in Hong Kong and Taiwan.

Last month, Dairy Farm, which is listed in Hong Kong and domiciled in Bermuda, listed its shares in London and Luxembourg as part of its internationalisation programme ahead of Hong Kong's return to Chinese sovereignty in 1997. It said then that 60 per cent of its assets were outside Hong Kong.

Four stores and a distribution centre owned by Lion Nathan are to be transferred to Woolworths before the deal is concluded, bringing the company's net assets to approximately NZ$104.2m.

St Laurent forecasts rise of 18% in profits

By George Graham in Paris

YVES Saint Laurent, the fashion and perfumes business floated on the Paris stock exchange last year, is forecasting an 18 per cent increase in net profits this year to FFr265m ($47m).

The company, which comfortably beat its flotation forecast with net profits last year of FFr224.5m, expects to suffer this year from the effects of the weaker dollar and yen on its sales, but has covered some of its foreign exchange exposure and expects also to benefit from lower expenses.

Mr Jean-Francis Bretelle, group managing director, said sales were expected to advance 6 per cent this year to FFr3.2bn, 3 per cent less than would have been achieved at constant exchange rates. Operating profits would rise slightly more slowly to FFr580m, partly because Saint Laurent had bought its largest Rive Gauche franchise store, on Paris's Rue du Faubourg St Honoré.

"This increases our sales volume in an activity which does not have a 70 per cent profit margin, unlike our licences," Mr Bretelle said.

The perfumes division, which accounts for 73 per cent of profits and 83 per cent of sales, made FFr403m operating profits last year, while the couture division, whose earnings come principally from licence fees, made FFr134m.

Mr Pierre Bergé, Saint Laurent's chairman, said the group planned to develop a less expensive line of women's off-the-peg clothing named Variations, to complement the Rive Gauche line.

In the perfumes division, Saint Laurent plans next year to relaunch its oldest women's perfume, Y, in a new package.

Mr Bergé rejected criticisms of Saint Laurent's unusual limited partnership structure, which protects it from takeover and which some analysts have felt to be responsible for the recent underperformance of its share price. "You must take me as I am, that is to say in limited partnership," he said.

Elders takes A$500m loss on asset sale

By Bruce Jacques in Sydney and Dal Hayward in Wellington

ELDERS IXL, the troubled Australian brewing conglomerate, yesterday reached a key stage in its asset disposal programme by agreeing the A$623m (US$487m) sale of its controlling stake in Elders Resources NZFP.

However, the sale to Carter Holt Harvey, the New Zealand forestry group, will net Elders a loss of about A$500m on the book value of Elders Resources.

It will create New Zealand's third biggest company, with total assets of about NZ$2.5bn (US$1.46bn), and brings the value of assets sold by Elders in the past year to almost A$1.6bn.

Mr Peter Bartels, Elders IXL chief executive, said yesterday the sale represented an important step in the company's plan to become a single-purpose brewer.

The deal reverses the trend since the 1987 stock market crash which has seen many New Zealand companies acquired by Australian industrial groups. Elders Resources NZFP includes the former NZ Forest Products, once New Zealand's largest company. It suffered from disastrous investments at the time of the crash.

Carter Holt Harvey, with assets of NZ$3bn and turnover last year of more than NZ$1.4bn, in addition to extensive forestry operations is also heavily involved in paper and pulp, fishing and building materials.

Four years ago it expanded into Chile, where its interests in energy as well as fishing and forestry contributed a third of the group's net profit of NZ$175m in its latest year.

Mr Bartels said the loss on the Elders Resources sale was broadly in line with expectations. "While this and other writedowns will obviously affect this year's profit result for Elders IXL, we are confident that our brewing operations will continue to perform well and provide strong ongoing profits," he said.

He said that Elders Finance, the group's financial services subsidiary, had also reduced its total assets from A$6bn to less than A$3bn in the past year and that this programme was continuing.

Carter Holt has agreed to buy a 52.7 per cent interest in Elders Resources, which includes a stake of about 13 per cent held by a joint venture company between Elders IXL and Fletcher Challenge, New Zealand's biggest company.

Elders Resources is to sell its minerals assets, which mainly involve Oakbridge, the New South Wales coal producer, and a mining finance and services operation. That will leave little besides forestry. Mr Geoffrey Lord will stay on as its chief executive.

Mr Richard Carter, chairman of Carter Holt, said that a new holding company for the combined group would be set up under a scheme of arrangement. Carter Holt shares would be valued at NZ$3 and Elders Resources NZFP at NZ$2.

The overall price for the transaction will be adjusted, depending on the price achieved for the resources assets. Elders IXL will receive A$414m on settlement, with the rest due as the minerals assets are sold.

Approvals for the transaction are needed from New Zealand's Commerce Commission and Australia's Foreign Investment Review Board.

Bids close for Mexican mine

By Richard Johns in Mexico City

BIDS with a minimum price of $450m were scheduled to be submitted yesterday to the Mexican Government for the purchase of Compania Minera de Cananea, the country's second-largest copper mine.

Several frontrunners have emerged as potential purchasers for Cananea, which the last Administration twice failed to sell in 1988. The privatisation is regarded as a prime candidate for a debt-equity swap.

Among the potential bidders is Mr Jorge Larrea's Grupo Industrial Minera de Mexico. Mr Larrea is understood to be in partnership with Anaconda and Citibank.

Another bidder is Ingenieros Civiles Asociados, the country's largest civil construction company, with Mr Bernado Quintana Jr. The group is understood to be linked with Cyprus Minerals of the US and Chemical Bank.

Deckel names new chief to continue restructuring

By Andrew Fisher in Frankfurt

DECKEL, the troubled West German machine tool company which made a net loss of DM45m ($27m) last year, has appointed a new chief executive to continue the restructuring process which has already led to rising orders and turnover.

The Munich-based company, controlled by the Deckel family, said Mr Peter-Jürgen Kreher would take over on July 1 after leaving the board of Deutsche Babcock, the engineering company.

He will succeed Mr Leif Lundkvist, a Norwegian, who is leaving by mutual agreement.

Deckel, one of Germany's largest machine tool concerns, fell into the red mainly as a result of heavy investment in new computer-controlled products.

Its loss in 1989 followed profits of DM2.3m in 1988 and DM7.8m in 1987.

It paid no dividend for 1989 after a cut the year before. Sales last year fell by 15 per cent to DM535m.

The company said orders had risen by 10 per cent in the first five months of 1990, with turnover up by 60 per cent. Deckel said it hoped this trend would stabilise as a result of the restructuring measures.

As well as the cost of improving its machine tools, Deckel has been hit by delays in introducing new products at a time of sharply rising business for the capital goods sector.

Mr Kreher's appointment follows that of Mr Karl-Joseph Neukirchen, chief executive of the Klöckner-Humboldt-Deutz engineering group, as Deckel's supervisory board chairman.

A campaign for global expansion

Alice Rawsthorn on the ambitions of a top French advertising agency

There are *trompes l'oeils* dotted around the blue and grey offices of Roux Séguéla Cayzac & Goudard on the outskirts of Paris. There is a seascape in the foyer and a landscape in the office belonging to Mr Bernard Roux, the chairman.

It is from this office that Mr Roux has mapped out a strategy to turn RSCG, one of the largest French advertising agencies, into an international company with interests in every area of marketing.

Traditionally RSCG, and the other large French agencies – Publicis, Eurocom and Boulet Dru Dupuy Petit – have concentrated on the domestic market. But in the last year or so they have been moving into other countries.

So far this year RSCG has bought two London-based businesses: Conran Design Group and KLP, the sales promotion consultancy. It is now about to conclude negotiations to buy another design business, this time in the US.

As Mr Roux is aware, RSCG has a long way to go before it can join the ranks of the global marketing services groups: WPP and Saatchi & Saatchi of the UK, or Omnicom and Interpublic of the US. Over the next year it should become clear whether it will succeed.

The world of international deals and counter deals is a long way from RSCG's roots in the Paris of the late 1960s. It was one of the dozens of agencies formed after *les événements* in May 1968. "It was a time when independence was important," said Mr Roux. He and his partner, Mr Jacques Séguéla, broke away from an agency to begin their own business.

The RSCG of today has retained some of the spirit of 1968. It is best known in France for Mr Séguéla's cerebral tomes on advertising and for his role as media adviser to President Mitterrand. Its big break came in 1976 when it won the account for Citroën cars. Until then it had worked with several large French companies, but Citroën offered an opportunity to expand outside France.

Its early attempts at international expansion were startlingly unsuccessful. It began in 1982 by buying a Belgian agency. Two years later the agency flopped and it had to acquire another. The same thing happened in Spain. And in West Germany RSCG bought one agency, only to have to relaunch it.

"When you move into a new country it is difficult to know what to do and sometimes the only way to learn is by making mistakes," said Mr Roux.

RSCG has since expanded its networks and now owns agencies – mostly associates – in almost every European country.

RSCG has top 10 agencies in France, Belgium, Spain and Italy. It is, however, still a small player in the UK and West Germany, the largest European markets, and in the US, where it owns middle-sized agencies in New York and Chicago.

It has been involved in other areas of marketing – public relations, sales promotion, design and direct marketing – in France for the past five years. The acquisitions of Conran and KLP are intended to provide a platform for expansion into other countries. Conran has an office in Hong Kong. KLP owns sales promotion companies in the US and Europe.

RSCG made almost half its pre-tax profits of FFr150m ($26.5m) on turnover of FF9.3bn outside France last year. It made less than a quarter of its profits outside advertising. The aim is to increase these contributions steadily by increasing the group's international interests.

The rationale for RSCG's expansion is the same as that of the other ambitious French agencies. The trend for large advertisers to consolidate their accounts into international agencies is accelerating. Unless the French agencies can offer access to networks across Europe, and possibly the US, they not only run the risk of missing out on new business but also of losing their domestic accounts.

Over the next year or so RSCG plans to expand in the UK, West Germany and the US. It also intends to build European networks in the other marketing disciplines.

Whether RSCG will be able to find suitable vehicles remains to be seen. It has been looking for a London agency for more than a year and it does not have enough money to accelerate its growth by buying a big network.

Instead, it will be restricted to a series of smaller piecemeal deals along the lines of Conran and KLP. Some analysts suspect that buying KLP – which had a chequered career on the London stock market – may have been a mistake.

RSCG is undeterred. Mr Roux believes that "there is no future for local agencies" and that RSCG can still become an international network, "but only if we move quickly."

INTERNATIONAL COMPANIES AND FINANCE

Caterpillar hit by poor Brazilian operation

By Karen Zagor in New York

CATERPILLAR, the world's largest maker of earth-moving equipment whose earnings have already been hit by weak domestic demand, yesterday said its second-quarter net income would probably drop to less than half its first-quarter level because of a dramatic decline at its Brazilian operations.

Although Caterpillar had already warned that its profitability would remain "under considerable pressure" throughout this year, the latest forecast was unexpectedly bleak, and Caterpillar's shares plunged $1¼ to $59¼ in heavy midday trading on the New York Stock Exchange.

The Illinois company, which climbed out of the red in 1985 after three consecutive years of losses, expects second-quarter net income to be less than half the $99m or 97 cents a share reported in the first quarter. The company has seen its profits slide steadily since the third quarter of 1988. Last year it had second-quarter earnings of $141m or $1.39 a share.

In 1989, Caterpillar Brasil had substantial profits thanks to rapidly escalating prices and strong product sales. However, Caterpillar now expects the subsidiary to report a loss for the year, attributed to the significant slowdown in the Brazilian economy because of the reform measures of the Collor Government.

In addition to troubles in Brazil, Caterpillar attributed its disappointing expectations to lower sales volume, the weakened yen, restructuring expenses and higher general costs.

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Melville agrees to buy People Drug Stores

MELVILLE Corporation, the diversified speciality US retailer, has agreed in principle to buy People Drug Stores, a unit of Imasco, the Canadian conglomerate of which the UK's BAT Industries owns 40 per cent, for about US$330m, Reuter reports.

The transaction depends on the execution of an acquisition agreement and regulatory approvals.

Melville said the acquisition would be financed from operating cash flow and existing lines of credit. It expects no dilutive effect on its earnings and that the acquisition will be accounted for as a purchase transaction.

Trizec improves

TRIZEC, a publicly quoted property group controlled by the Peter and Edward Bronfman interests and the Reichmann brothers of Toronto, posted a 13 per cent gain in earnings for the first half ended April 30 to C$52.9m (US$44.8m) or 21 cents a share, writes Robert Gibbens in Montreal.

Despite the slowing North American economy, Trizec's shopping centre income in the US was up 13 per cent, though it was static in Canada.

Trio keeps affair on solid ground

Kenneth Gooding looks at the Teck-MIM-Metall mining liaison

The intriguing relationship between Teck Corporation of Canada, MIM Holdings of Australia and Metall Mining, a quoted subsidiary of the Metallgesellschaft group of West Germany, is being strengthened.

The trio, through a joint company, has paid US$107m for the 54 per cent of Pine Point Mines it does not own. This will give it full control of another substantial lead and zinc producer.

Between them, the three companies and their associates already controlled about 8 per cent of the western world's copper production, 12 per cent of the zinc output and 19 per cent of lead production.

It is not the first time they have acted in concert. In 1986 they took control of Cominco, Canada's biggest lead-zinc mining group, for about C$300m (US$254m). Cominco owns the rest of Pine Point.

Last year Metall, Teck and MIM considered adding another important metal to their list by entering the bid battle for Falconbridge, second-largest nickel producer in the West. But they stayed out, and Falconbridge went to Noranda of Canada and Boliden of Sweden for C$2.2bn.

Now rumours are circulating that the trio is among several potential suitors for Renison Goldfields Consolidated, the Australian mining group with a market value of about US$475m. Hanson, the UK conglomerate, acquired 46 per cent of Renison when taking over Consolidated Gold Fields last year. This stake is believed to be for sale. Even before the Hanson bid, MIM had expressed its interest in Renison in the most tangible way — by buying a 4.5 per cent shareholding in the market.

Will MIM act on its own account or with its partners if it gets a chance to buy Hanson's Renison stake? Sir Bruce Watson, MIM's chairman, says that MIM's current Renison shareholding "gives us lots of options, including a deal with MG [Metallgesellschaft] and Teck. It's a no-risk situation because, when the chips are down about Renison, someone will have to talk to us."

Dr Klaus Zeitler, Metall's president, is quiet on the Renison rumours. He admits, however, that the Metall-Teck-MIM trio remains on the lookout for suitable, large prospects. These would involve takeovers too large for any of the three individual companies to justify on its own.

Targets would also be of the type to which the three between them, with their broad geographical and technical spread of interests, could add some value.

However, another large acquisition is not at the top of the list of Metall's priorities. Metall on its own is developing two new mines and restructuring another. "There are not many mining companies that busy," Dr Zeitler points out.

This is the other element in a two-fold strategy Metallgesellschaft implemented in June 1987, when it floated 29 per cent of Metall on the Toronto Stock Exchange so that Metall's management could focus solely on mining.

Metallgesellschaft retained a 68 per cent stake in Metall, and Agip Miniere, the mining offshoot of the Italian state-owned ENI group, has 8 per cent.

The first strand in Metall's strategy is to watch over investments in Teck (10 per cent of the equity but 20 per cent of the votes) and MIM (4 per cent of the equity) and a number of other mining ventures, and to continue to develop the relationship between the trio.

Parallel to that, Metall is to look for mining properties on its own account "to make it clear to the world that Metall is an operating mining company with the potential to develop mines," says Dr Zeitler.

As a quoted company, Metall has a much better chance of recruiting first-class managers because of its ability to offer stock options, not in the sprawling Metallgesellschaft group, but in a company on which their efforts can make a considerable impression. Metall also has the flexibility to offer stock for acquisitions if necessary.

So far Metall has always paid cash for its purchases. The biggest acquisition is Copper Range, the last remaining underground copper mine in the US, which also has its own ore concentrator, smelter and refinery at White Pine in the Upper Peninsula of Michigan. Metall bought Copper Range last year from management and employees for US$83m.

What attracts Metall to Copper Range is that it is a fully integrated business, from mining to refining, with its own power plant.

However, operating costs are relatively high and Metall is in the process of spending US$10m to US$15m a year for three years to restructure and refurbish the mine.

Early this month, Metall paid US$4m cash for part of a mill to increase Copper Range's milling capacity.

The two working areas at the huge mine are five miles apart. Dr Zeitler says it made little sense to pretend it was one mine. It is now operating as two, separate mines, each with its own management.

Equipment on the surface of the Copper Range complex is reasonably modern — the refinery, using MIM technology, is one of the most modern in the world — but the high mining production costs are mainly due to antiquated equipment and mining methods.

Dr Zeitler says it took some months to make a complete audit of the mine because no basic data existed: when Echo Bay pulled out it took the mine's mainframe computer.

Equipment has now been ordered and an expansion programme started to boost Copper Range's copper capacity from about 46,000 tonnes to 58,000 tonnes. Last year the mine produced about 30,000 tonnes of copper and 950,000 troy ounces of silver.

"We think the reorganisation of Copper Range will show the world that we know what modern mining is all about," says Dr Zeitler.

Klaus Zeitler: trio on the lookout for prospects

Metall is also out to prove that it can take greenfield projects and develop them successfully into mines. The most important project under way is Cayeli on the coast of north-east Turkey. Metall paid Teck US$13m for 49 per cent and management responsibility of the Cayeli project, which is based on a rich copper-zinc ore body.

Dr Zeitler expects Cayeli to become a world-class mine producing about 100,000 tonnes each a year of zinc and copper concentrates. The state-owned industrial bank of Turkey, Etibank, has a 45 per cent stake in Cayeli. The rest is held by Gama, a private Turkish construction company.

Metall is also likely to develop a smaller but higher-grade zinc-lead project, called Bougrine, in Tunisia.

Last year Metall chalked up sales of C$111.6m. Net income was C$34.3m or 91 cents a share compared with C$42m or C$1.12 a share in 1988. There were extraordinary items, mainly reflecting recovery of prior years' tax losses, of C$10.66m in 1988 and C$2.5m last year.

Although Metall's credibility within the mining industry is growing, it will be some years before the new company will clearly have proved its abilities.

Meanwhile, the mining world watches expectantly to see where the Metall-Teck-MIM combination will pop up next to further complicate the industry's already complex relationships.

METALL MINING

	1989 C$000	1988 C$000	1987 C$000
Sales	111,594	46,685	23,386
Net income	34,304	39,796	16,179
Per share income	C$0.91	C$1.06	C$0.43

Armco expects charges of $70m to cause losses

By Martin Dickson in New York

ARMCO, the fifth largest US steelmaker which made a disastrous foray into the insurance market in the 1980s, yesterday announced that it expected to make a second-quarter and first-half net loss because of unusual charges of about $70m.

The charges would trigger provisions in some debt agreements which would prevent continued payment of common stock dividends, but its cumulative preferred stock would not be affected.

The company said $30m of the charge related to finance and insurance companies which had stopped writing new business and were being liquidated.

Armco said that as a result of these additions to reserves it was confident that the major problems of these businesses were behind it.

Armco's net income in 1989 was $165m on sales of $2.42bn. In last year's second quarter, income from continuing operations was $120.6m after a $40.4m restructuring charge. A loss from discontinued operations of $45m meant final net income of $75.6m.

Trial date set in Honeywell patent case

By Roderick Oram in New York

HONEYWELL, the US controls maker, yesterday welcomed two legal developments that should speed up its much delayed patent infringement case against Minolta, the Japanese camera manufacturer.

A federal court in New Jersey has appointed a "special master" to expedite the case and has set a trial date of September 3 1991, a year earlier than Honeywell had expected.

The Minneapolis company first filed suit against Minolta in 1987 alleging it had infringed patents on Honeywell's autofocus technology, misused trade secrets and breached a contract.

Honeywell says it is entitled to hundreds of millions of dollars in royalties on the autofocus system it developed. It also charges that Minolta breached a 1979 contract which said that Honeywell would share patented technology and trade secrets provided Minolta used the information only to design cameras incorporating Honeywell-made autofocus modules.

Minolta subsequently developed and manufactured its own system, infringing Honeywell's patents, the US company alleges.

Minolta was the first to introduce autofocus cameras in 1985, but 15 other Japanese companies, including Canon, Olympus and Nikon, followed its lead. Honeywell has told them that they have infringed its patents, and it may pursue legal action against them as well.

Honeywell says the case is taking so long to come to trial because Minolta has dragged its feet throughout the process.

Minolta said it welcomed the setting of a trial date.

INTERNATIONAL COMPANIES AND FINANCE

Koito braced as Pickens pledges to increase holding

By Stefan Wagstyl in Tokyo

MR T. BOONE Pickens, the Texan corporate raider, and Koito Manufacturing, the Japanese automotive parts maker in which he has bought a 26 per cent stake, have engaged in a war of words in advance of the company's annual meeting on Thursday.

Mr Pickens, who arrived in Japan last week, made the first move with the launch of a 38-page press pack recounting details of his campaign since he acquired his first block of Koito shares in March last year. He followed yesterday with a public pledge to increase his holding. He intends to give a speech today and at Thursday's meeting, bombarding the Koito board with hostile proposals.

Koito has hit back with a letter sent yesterday to Mr Pickens and circulated to journalists, detailing alleged inconsistencies in the US tax returns of Boone, Mr Pickens' investment company. Boone retaliated by saying that Koito had looked at the wrong forms. It accused Nomura Wasserstein Perella, the Japanese-American corporate finance company which is advising Koito, of "shoddy" research.

"If Koito thought they had found a smoking gun it's blown up in their faces," said Mr Sidney Tassin, an aide to Mr Pickens.

Mr Pickens is seeking to secure the degree of influence over Koito which he thinks he deserves as the largest shareholder. He wants to appoint four directors, pointing out that Toyota Motor, Koito's second largest shareholder with 19 per cent, nominates two. He also wants to inspect Koito's books to look for evidence that Toyota may be putting unfair pressure on its supplier.

Over the year, Mr Pickens has increased his stake from 22 per cent to 26 per cent. He has followed up his demands for access to Koito's records with a legal suit currently before the Japanese courts.

He has also done his best to elevate his battle with Koito into a symbol of US efforts to prise open Japanese markets. Events have played into Mr Pickens' hands, with the US Administration pressing Japan to pursue economic reform in talks over the Strategic Impediments Initiative.

Mr Pickens has won widespread publicity in the US for his eloquent Congressional testimony about the evils of *keiretsu*, the tightly-knit families of suppliers which large Japanese corporations build.

Koito has responded by accusing Mr Pickens of cynically exploiting politics for his commercial ends. The company claims that Mr Pickens is in league with Mr Kitaro Watanabe, a Japanese greenmailer, who twice before tried to force Koito to buy back its shares. Koito says that Boone is not the genuine owner of its shares and is acting as an agent for Mr Watanabe.

Mr Pickens has acknowledged that the shares he holds were bought from Mr Watanabe but he insists he is acting independently. However, he has consistently refused to give details of how his Koito holding is funded or whether he has a buyback agreement with Mr Watanabe.

Thursday's meeting could be an anti-climax from Mr Pickens' point of view. As last year, he intends to present motions which will probably be voted down.

Nevertheless, the meeting is likely be noisy, as the reporters following Mr Pickens will attract a large number of *sokaiya*, professional extortionists, who extract bribes from companies by threatening to disrupt their meetings.

Koito is under such intense scrutiny that it will be unable to pay off the *sokaiya*, as many Japanese companies do, for fear of prompting an outcry. But the *sokaiya* will see the chance to perform in front of television cameras as excellent free publicity.

T. Boone Pickens: aims to bombard board with plans

Malaysian air group's turnover grows by 21.6%

By Our Financial Staff

MALAYSIAN AIRLINE System (MAS), the privatised flag carrier which earlier this year drew official criticism for service standards, showed a 2.6 per cent dip in pre-tax profits to M$194.1m (US$71.7m) for the year to March.

Group net profit, however, emerged 43 per cent higher at M$324.6m. The company benefited from an extraordinary gain of M$29.5m.

Turnover grew 21.6 per cent to M$2.31bn. MAS said it expected to continue to perform well during the current year because of encouraging traffic demand.

The final dividend is maintained at 12.5 cents a share.

Macquarie lifts profits by 43%

MACQUARIE BANK, an Australian banking and financial concern, lifted operating profit after tax for the year to March by 43.1 per cent to A$43.6m (US$34m), AP-DJ reports from Sydney.

Hill Samuel of London is Macquarie's largest shareholder with 15 per cent. Mr Tony Berg, Macquarie managing director, said the bank was largely immune to the problems facing most of Australia's financial industry because it had minimal retail lending.

He expected the current year to be difficult, but hoped for a record profit. Macquarie has made several acquisitions, and Mr Berg said he expected further expansion opportunities, mostly in Australia.

Philips inks in an Indian turnround

David Housego pinpoints the reasons for Peico's return to profit

AT THE Bombay headquarters of Peico, Philips' Indian subsidiary, there is a sense of relief that the company has pulled through its recent financial crisis before the Dutch parent group hit stormy waters.

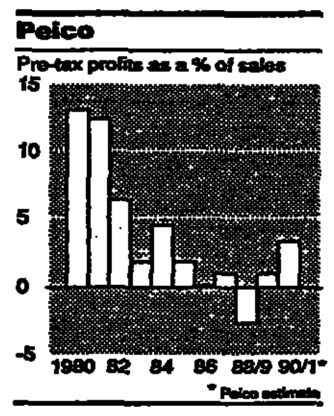
If recovery had been delayed there is little doubt that Peico would now be under strong pressure from Philips' troubled senior management in Eindhoven to sell part of its operations. As it is, Peico – in which Philips has the maximum 40 per cent stake normally permitted to foreign companies in India, and management control – last week reported a sharp turnround in results.

From an operating loss of Rs164m ($9.5m) in 1988-89, the group announced a pre-tax operating profit for the latest year to March of Rs54.8m. Turnover rose by only 3 per cent to Rs4.2bn.

With sales of Peico's main products – lighting, audio and video equipment – up by more than a third for the April to May period this year, Philips hopes for a jump of 2.75 times in profits this year to Rs150m.

Peico is seeking to strengthen its long-term position in India through a tie-up with a big local partner. Negotiations are under way with the Tata group, India's largest industrial combine, which Philips hopes will lead to Tata taking a 10 per cent stake in Peico. Such a move would involve no dilution of Philips' holding.

Mr Jan Bergvelt, Peico's Dutch managing director, does not see Philips' Indian operations as being part of the group's global manufacturing chain because Indian costs, productivity and quality are well below international standards. "We shall be producing local goods for the local market," he says.



For a long time Peico was India's largest consumer electronics company. But since the early 1980s it has suffered from bad management, continuing labour troubles and a product range poorly positioned for the Indian market. Local consumer electronics groups – most notably Videocon which also has about Rs4bn of sales – began to challenge Philips' market leadership.

Mr Bergvelt, who had previously been in charge of Philips' expansion in Taiwan as part of its drive to shift more of its design, development and production to East Asia, was sent to India two years ago to assess the situation.

He initially explored the possibility of spinning off individual divisions and floating them with Indian partners. Mr Bergvelt says that while looking at this option he had no intention of selling off parts of the company. But many industrialists thought this was his aim.

Mr Rahul Bajaj, the head of Bajaj Auto and Bajaj Electrical, says he was approached and he offered to pay a nominal Rs1 for Peico's lighting division – the second largest in the group – because of its problems.

During his first year, Mr Bergvelt set out to clean up the balance sheet. The Rs164m loss in 1988-89 was largely the result of writing off unsold stock and other depreciation charges. But the announcement of it, coupled with rumours that Philips was pulling out of India, led to a liquidity crisis in the company as Peico found supplier credits drying up and inter-company deposits recalled. The Dutch parent thus had to provide a Rs200m bridging loan and assurances that it intended to stay. This year's return to profit is the result of a number of factors.

- Tighter inventory controls have reduced inventory financing by Rs230m, and other sales costs have been cut.
- The replacement of short-term loans by longer-term financing has cut interest charges to 5.3 per cent of sales from 5.6 per cent over the financial year, and should provide more substantial benefits this year.
- The labour force has been reduced by more than 10 per cent from January 1989 to just over 8,000 by this April – thus bringing it back to the same level as that of 1980, when turnover was a quarter of the current size.

With a further cleaning of the balance sheet to take account of provisions for voluntary departures and gratuity payments, Peico ended the financial year with a net profit of Rs32m against a loss over the previous 15-month accounting period of Rs134m. On this Peico announced a largely symbolic 10 per cent dividend.

Two big problems remain. The first is that Peico still has substantial unsold stocks of mainly computers, data processing and telecommunications equipment.

The second is that Peico's large modern TV plant at Calcutta is operating at well below capacity. Compared with a licensed capacity of 100,000 units a year and equipment to produce 70,000, it is only making 30,000.

Part of the attraction for Peico of a tie-up with Tata is the hope that Nelco, that group's consumer electronics subsidiary, will absorb some of the surplus capacity in Calcutta. But more important for Peico, it hopes that such a production sharing arrangement could lead to a long-term tie-up with Tata.

Peico is seeking a partner whose reputation will provide it with easier access to the central Government in Delhi and to whom it could also look if Peico again ran into a liquidity squeeze similar to that of last year.

Samsung links with Nissan to produce trucks

By John Ridding in Seoul

SAMSUNG, South Korea's largest conglomerate, is to start producing trucks following an agreement with Nissan Diesel of Japan to supply technology.

The company said yesterday that it would invest Won72bn ($100.1m) next year to build a factory with a yearly capacity of 5,000 trucks. It would produce concrete mixer trucks, dump trucks and other types of large trucks. It said most of the trucks would supply the home market, prompted by the growth in the domestic construction market.

Under the agreement with Nissan Diesel, Samsung will import many of the trucks' components, including chassis. Nissan will later supply the technology for Samsung to manufacture these parts itself.

The agreement has prompted increased speculation that Samsung may try to enter the passenger car industry through a technology agreement with a Japanese company. But a Samsung official said the group was not considering passenger car production.

Banks to co-operate

MITSUBISHI BANK said yesterday it was co-operating with Citibank, a banking subsidiary of Citicorp of the US, to expand Citibank's Japanese network, Reuter reports from Tokyo.

As a first step, Mitsubishi would rent Citibank about half the space in its Osaka branch office, due to be rebuilt soon, an official said.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday June 25, 1990. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	£ STG	US $	D-MARK	YEN (X 100)
Afghanistan (Afghani)	99.25	57.3533	34.1946	36.9302
Albania (Lek)	10.1617	5.8721	3.5010	3.7810
Algeria (Dinar)	14.6543	8.4682	5.0488	5.4527
Andorra (Fr Fr)	9.7475	5.6327	3.3583	3.6269
(Sp Peseta)	178.25	103.0049	61.4125	66.3255
Angola (Kwanza)	51.7050u	29.9180	17.8139	19.2390
Antigua (E Carr $)	4.6710	2.6992	1.6093	1.7380
Argentina (Austral)	8652.50	5000	2981.0508	3219.5348
Aruba (Florin)	3.0967	1.7894	1.0669	1.1522
Australia (Aus $)	2.2015	1.2721	0.7584	0.8191
Austria (Schilling)	20.365	11.7682	7.0163	7.5776
Azores (Port Escudo)	254.50	147.0673	87.6830	94.6976
Bahamas (Bahama $)	1.7305	1	0.5962	0.6439
Bahrain (Dinar)	0.6496	0.3753	0.2238	0.2417
Balearic Is (Sp Peseta)	178.25	103.0049	61.4125	66.3255
Bangladesh (Taka)	58.68	33.9092	20.2170	21.8344
Barbados (Barb $)	3.4795	2.0106	1.1987	1.2946
Belgium (Belg Fr)	59.50	34.3831	20.4995	22.1395
Belize (B $)	3.4600	1.9994	1.1920	1.2874
Benin (CFA Fr)	487.37	281.6353	167.9138	181.3469
Bermuda (Bermudian $)	1.7305	1	0.5962	0.6439
Bhutan (Ngultrum)	30.00	17.3360	10.3359	11.1627
Bolivia (Boliviano)	5.4495	3.1490	1.8775	2.0277
Botswana (Pula)	3.2175	1.8592	1.1085	1.1972
Brazil (Cruzado)	95.6968	55.3000	32.9704	35.6081
British Virgin Is (US $)	1.7305	1	0.5962	0.6439
Brunei (Brunei $)	3.1850	1.8405	1.0973	1.1851
Bulgaria (Lev)	5.0340	2.9089	1.7343	1.8731
Burkina Faso (CFA Fr)	487.37	281.6353	167.9138	181.3469
Burma (Kyat)	10.7780	6.2282	3.7133	4.0104
Burundi (Burundi Fr)	301.65	174.3137	103.9276	112.2418
Cambodia (Riel)	377.249u	218	129.9738	140.3717
Cameroon (CFA Fr)	487.37	281.6353	167.9138	181.3469
Canada (Canadian $)	2.0400	1.1788	0.7028	0.7590
Canary Is (Sp Peseta)	178.25	103.0049	61.4125	66.3255
Cp. Verde (CV Escudo)	126.0651	72.8489	43.4332	46.9079
Cayman Is (CI $)	1.4359u	0.8300	0.4947	0.5342
Cent.Afr. Rep (CFA Fr)	487.37	281.6353	167.9138	181.3469
Chad (CFA Fr)	487.37	281.6353	167.9138	181.3469
Chile (Chilean Peso)	528.24	305.2528	181.9948	196.5544
China (Renminbi Yuan)	8.1834	4.7289	2.8194	3.0449
Colombia (Col Peso)	850.55	491.5053	293.0404	316.4837
Comoros (CFA Fr)	487.37	281.6353	167.9138	181.3469
Congo (Brazz) (CFA Fr)	487.37	281.6353	167.9138	181.3469
Costa Rica (Colon)	156.0114	90.1539	53.7506	58.0507
Côte d'Ivoire (CFA Fr)	487.37	281.6353	167.9138	181.3469
Cuba (Cuban Peso)	1.3785	0.7965	0.4749	0.5129
Cyprus (Cyprus £)	0.8075	0.4666	0.2782	0.3004
Czechoslovakia (Koruna)	28.34c	16.3767	9.7639	10.5451
	47.79t	27.6162	16.4651	17.7823
Denmark (Danish Kroner)	11.0275	6.3724	3.7993	4.1032
Djibouti Rep (Djib Fr)	300.00	173.3603	103.3591	111.6279
Dominica (E Carrib $)	4.6710	2.6992	1.6093	1.7380
Dominican Rep (D Peso)	18.0136	10.4094	6.2062	6.7027
Ecuador (Sucre)	1616.73o	934.2559	557.0129	601.5739
	1302.04a	752.4068	448.5925	484.4800
Egypt (Egyptian £)	4.6900	2.7101	1.6158	1.7451
El Salvador (Colon)	10.9930	6.3524	3.7874	4.0904
Equat'l Guinea (CFA Fr)	487.37	281.6353	167.9138	181.3469
Ethiopia (Ethiopian Birr)	3.5593	2.0568	1.2262	1.3243
Falkland Is (Falk £)	1.00	0.5778	0.3445	0.3720
Faroe Is (Danish Kroner)	11.0275	6.3724	3.7993	4.1032
Fiji Is (Fiji $)	2.5963	1.5003	0.8945	0.9660
Finland (Markka)	6.8205	3.9413	2.3498	2.5378
France (Fr)	9.7475	5.6327	3.3583	3.6269
Fr. Cty/Africa (CFA Fr)	487.37	281.6353	167.9138	181.3469
Fr. Guiana (Local Fr)	9.7475	5.6327	3.3583	3.6269
Fr. Pacific Is (CFP Fr)	175.00	101.1268	60.2928	65.1162
Gabon (CFA Fr)	487.37	281.6353	167.9138	181.3469
Gambia (Dalasi)	14.5939	8.4333	5.0280	5.4302
Germany East (Ostmark)	2.9025	1.6772	1	1.0800
Germany West (DMark)	2.9025	1.6772	1	1.0800
Ghana (Cedi)	568.0185	328.2395	195.6997	211.3557
Gibraltar (Gib £)	1.00	0.5778	0.3445	0.3720
Greece (Drachma)	283.55	163.8543	97.6916	105.5069
Greenland (Danish Krone)	11.0275	6.3724	3.7993	4.1032
Grenada (E Carr $)	4.6710	2.6992	1.6093	1.7380
Guadaloupe (Local Fr)	9.7475	5.6327	3.3583	3.6269
Guam (US $)	1.7305	1	0.5962	0.6439
Guatemala (Quetzal)	6.7916	3.9246	2.3399	2.5271
Guinea (Fr)	519.00	299.9133	178.8113	193.1162
Guinea-Bissau (Peso)	1124.50u	650	387.4246	418.4186
Guyana (Guyanese $)	56.4250u	33	19.4401	20.9953
Haiti (Goude)	8.6500u	5	2.9801	3.2186
Honduras (Lempira)	7.6525u	4.4250	2.6365	2.8474
Hong Kong (HK $)	13.4595	7.7778	4.6372	5.0081
Hungary (Forint)	111.5537	64.4632	38.4336	41.5083
Iceland (Icelandic Krona)	103.65	59.8959	35.7105	38.5674
India (Indian Rupee)	30.00	17.3360	10.3359	11.1627
Indonesia (Rupiah)	3188.235	1842.3779	1098.4444	1186.3200
Iran (Rial)	121.00	69.9219	41.6881	45.0232
Iraq (Iraqi Dinar)	0.5389	0.3114	0.1856	0.2005
Irish Rep (Punt)	1.0825	0.6255	0.3729	0.4027
Israel (Shekel)	3.5740	2.0652	1.2313	1.3298
Italy (Lira)	2126.75	1228.9800	732.7304	791.3488
Jamaica (Jamaican $)	11.8160	6.8280	4.0709	4.3966
Japan (Yen)	268.75	155.3019	92.5925	100
Jordan (Jordanian Dinar)	1.1455	0.6619	0.3946	0.4262
Kenya (Kenya Shilling)	40.10	23.1724	13.8156	14.9209
Kiribati (Australian $)	2.2015	1.2721	0.7584	0.8191
Korea North (Won)	1.6781	0.9697	0.5781	0.6244
Korea South (Won)	1237.20	714.9378	426.2532	460.3534
Kuwait (Kuwaiti Dinar)	0.5048	0.2917	0.1739	0.1878
Laos (New Kip)	1245.60	719.7919	429.1472	463.4790
Lebanon (Lebanese £)	1146.70	662.6408	395.0732	426.6790
Lesotho (Maluti)	4.6038	2.6603	1.5861	1.7130
Liberia (Liberian $)	1.7305	1	0.5962	0.6439
Libya (Libyan Dinar)	0.5048	0.2917	0.1739	0.1878
Liechenstein (Swiss Fr)	2.4400	1.4099	0.8406	0.9079
Luxembourg (Lux Fr)	59.50	34.3831	20.4995	22.1395
Macao (Pataca)	13.9196	8.0436	4.7957	5.1793
Madeira (Port Escudo)	254.50	147.0673	87.6830	94.6976
Malagasy Rep (MG Fr)	2220.50	1283.1551	765.0301	826.2325
Malawi (Kwacha)	4.8495	2.8023	1.6708	1.8044
Malaysia (Ringgit)	4.6873	2.7086	1.6149	1.7441
Maldive Is (Rufiya)	16.2862	9.4112	5.6110	6.0599
Mali Rep (CFA Fr)	487.37	281.6353	167.9138	181.3469
Malta (Maltese £)	0.5595	0.3233	0.1927	0.2081
Martinique (Local Fr)	9.7475	5.6327	3.3583	3.6269
Mauritania (Ouguiya)	143.4689	82.9060	49.4294	53.3837
Mauritius (Maur Rupee)	26.45	15.2845	9.1128	9.8418
Mexico (Mexican Peso)	4939.70a	2854.4929	1701.8776	1838.0279
	4856.11d	2806.1889	1673.0783	1806.9246
Miquelon (Local Fr)	9.7475	5.6327	3.3583	3.6269
Monaco (French Fr)	9.7475	5.6327	3.3583	3.6269
Mongolia (Tugrik)	5.8050u	3.3555	2	2.1600
Montserrat (E Carr $)	4.6710	2.6992	1.6093	1.7380
Morocco (Dirham)	14.9685	8.6498	5.1571	5.5696
Mozambique (Metical)	1637.5209	946.2703	564.1760	609.3101
Namibia (S A Rand)	4.6038	2.6603	1.5861	1.7130
Nauru Is (Australian $)	2.2015	1.2721	0.7584	0.8191
Nepal (Nepalese Rupee)	50.2357	29.0295	17.3077	18.6923
Netherlands (Guilder)	3.2675	1.8881	1.1257	1.2158
N'nd Antilles (A/Guilder)	3.0967u	1.7900	1.0669	1.1522
New Zealand (NZ $)	2.9558	1.7080	1.0183	1.0998
Nicaragua (Cordoba)	427500*	247038.428	147286.822	159069.767
Niger Rep (CFA Fr)	487.37	281.6353	167.9138	181.3469
Nigeria (Naira)	13.6324	7.8777	4.6967	5.0725
Norway (Nor. Krone)	11.1450	6.4403	3.8397	4.1469
Oman (Rial Omani)	0.6633	0.3832	0.2285	0.2468
Pakistan (Pak. Rupee)	37.45	21.6411	12.9026	13.9348
Panama (Balboa)	1.7305	1	0.5962	0.6439
Papua New Guinea (Kina)	1.6617	0.9602	0.5725	0.6183
Paraguay (Guarani)	2149.96	1242.3923	740.7269	799.9851
Peru (Inti)	52488.45	30331.3782	18083.8759	19530.5860
Philippines (Peso)	38.74	22.3865	13.3471	14.4148
Pitcairn Is (£ Sterling)	1.00	0.5778	0.3445	0.3720
(NZ $)	2.9558	1.7080	1.0183	1.0998
Poland (Zloty)	16231.00	9379.3701	5592.0757	6039.4418
Portugal (Escudo)	254.50	147.0673	87.6830	94.6976
Puerto Rico (US $)	1.7305	1	0.5962	0.6439
Qatar (Riyal)	6.2735	3.6252	2.1614	2.3343
Reunion Is. de la (F/Fr)	9.7475	5.6327	3.3583	3.6269
Romania (Leu)	35.291	20.3929	12.1584	13.1311
Rwanda (Fr)	133.70	77.2609	46.0637	49.7488
St Christopher (E Carr $)	4.6710	2.6992	1.6093	1.7380
St Helena (£)	1.00	0.5778	0.3445	0.3720
St Lucia (E Carr $)	4.6710	2.6992	1.6093	1.7380
St Pierre (French Fr)	9.7475	5.6327	3.3583	3.6269
St Vincent (E Carr $)	4.6710	2.6992	1.6093	1.7380
San Marino (Italian Lira)	2126.75	1228.9800	732.7304	791.3488
Sao Tome (Dobra)	181.6119	104.9476	62.5708	67.5765
Saudi Arabia (Riyal)	6.4613	3.7337	2.2261	2.4042
Senegal (CFA Fr)	487.37	281.6353	167.9138	181.3469
Seychelles (Rupee)	9.4500	5.4608	3.2558	3.5162
Sierra Leone (Leone)	275.80	159.3759	95.0215	102.6232
Singapore ($)	3.1850	1.8405	1.0973	1.1851
Solomon Is ($)	4.3649	2.5223	1.5038	1.6241
Somali Rep (Shilling)	709.30	409.8815	244.3755	263.9255
South Africa (Rand)	4.6038c	2.6603	1.5861	1.7130
	6.9238g	4.0010	2.3854	2.5762
Spain (Peseta)	178.25	103.0049	61.4125	66.3255
Spanish Ports in N Africa (Sp Peseta)	178.25	103.0049	61.4125	66.3255
Sri Lanka (Rupee)	68.86	39.7919	23.7243	25.6223
Sudan Rep (£)	19.8085	11.4466	6.8246	7.3706
Surinam (Guilder)	3.0881	1.7845	1.0639	1.1490
Swaziland (Lilangeni)	4.6038	2.6603	1.5861	1.7130
Sweden (Krona)	10.5000	6.0676	3.6175	3.9069
Switzerland (Fr)	2.4400	1.4099	0.8406	0.9079
Syria (£)	36.33u	21	12.5167	13.5181
Taiwan ($)	47.30	27.3331	16.2962	17.6000
Tanzania (Shilling)	334.40	193.2389	115.2110	124.4279
Thailand (Baht)	44.47	25.6977	15.3212	16.5469
Togo Rep (CFA Fr)	487.37	281.6353	167.9138	181.3469
Tonga Is (Pa Anga)	2.2015	1.2721	0.7584	0.8191
Trinidad/Tobago ($)	7.3525	4.2487	2.5331	2.7358
Tunisia (Dinar)	1.5437	0.8920	0.5318	0.5744
Turkey (Lira)	4551.13	2629.9508	1568.0034	1693.4437
Turks & Caicos (US $)	1.7305	1	0.5962	0.6439
Tuvalu (Australian $)	2.2015	1.2721	0.7584	0.8191
Uganda (New Shilling)	694.0334§	401.0594	239.1157	258.2449
U A E (Dirham)	6.3278	3.6566	2.1801	2.3545
United Kingdom (£)	1.00	0.5778	0.3445	0.3720
United States (US $)	1.7305	1	0.5962	0.6439
Uruguay (Peso)	1995.85	1153.3371	687.6313	742.6418
USSR (Rouble)	1.0235	0.5914	0.3526	0.3808
Vanuatu (Vatu)	205.50	118.7518	70.8010	76.4651
Vatican (Lira)	2126.75	1228.9800	732.7304	791.3488
Venezuela (Bolivar)	8291.49	4791.3839	2856.6718	3085.2055
Vietnam (Dong)	7785.00	4498.6997	2682.1705	2896.7441
Virgin Is-British (US $)	1.7305	1	0.5962	0.6439
Virgin Is-US (US $)	1.7305	1	0.5962	0.6439
Western Samoa (Tala)	4.0264	2.3267	1.3872	1.4981
Yemen (Rial)	20.76	11.9965	7.1524	7.7246
Yemen PDR (Dinar)	0.7984u	0.4610	0.2750	0.2970
Yugoslavia (Dinar)	20.1679	11.6543	6.9484	7.5043
Zaire Rep (Zaire)	983.47	568.3155	338.8354	365.9423
Zambia (Kwacha)	67.60	39.0638	23.2902	25.1534
Zimbabwe ($)	4.27	2.4674	1.4711	1.5888

Special Drawing Rights June 22, 1990 United Kingdom £0.763080 United States $1.31616 Germany West D Mark 2.21141 Japan Yen203.939 European Currency Unit Rates June 25, 1990 United Kingdom £0.710281 United States $1.23056 Germany West D Mark 2.06341 Japan Yen191.537

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar; *Nicaragua, 15 June 1990 Cordoba devalued by approx 12pc. §Uganda, 19 June 1990, Shilling devalued by approx 4pc.
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5.
Monday June 25, 1990

CONTRACTS & TENDERS

LEGAL NOTICES

INTERNATIONAL CAPITAL MARKETS

Canadian bonds shrug off discord at Meech Lake

By Deborah Hargreaves in London and Janet Bush in New York

CANADIAN government bonds failed to show much reaction to the collapse of the Meech Lake accord, remaining locked in a narrow range yesterday. The market saw an initial drop in overnight sales in the Far East, but the opening of trading in Toronto saw strong buying at the lower prices.

International investors seem to have decided that Canada's tight monetary policy compensates for its political problems. Traders expect government bonds to be stuck in a narrow range for some time, especially in the run-up to next week's public holiday.

While bid-offer spreads have widened by 2 to 3 basis points, traders expect bonds to suffer little from the collapse of the Meech Lake talks on the Canadian constitution. Canadian bonds maturing in 10 years traded off by 20 cents in London yesterday, offering a yield of 10.92 per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	94-15	-	12.38	12.57	12.75
		10.500	5/39	93-30	-1/32	11.81	11.85	12.20
		9.000	10/08	86-05	-3/32	10.73	10.95	11.21
US TREASURY *		8.875	05/00	101-26	-20/32	8.60	8.49	8.68
		8.750	05/20	101-31	-29/32	8.56	8.46	8.67
JAPAN	No 119	4.800	6/99	86.8531	-0.283	7.21	7.05	6.89
	No 2	5.700	3/07	91.8916	-0.217	6.73	6.65	6.64
GERMANY		7.750	02/00	93.4500	+0.250	8.77	8.88	8.78
FRANCE	BTAN	9.000	02/95	96.2588	+0.108	10.02	10.08	9.93
	OAT	8.500	03/00	92.8900	+0.240	9.64	9.74	9.61
CANADA *		9.750	05/00	92.9500	-0.250	10.94	10.89	11.30
NETHERLANDS		9.000	05/00	100.5300	+0.160	8.91	9.00	8.96
AUSTRALIA		12.000	7/99	91.8251	-	13.60	13.60	13.49

London closing, *denotes New York closing session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal
Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

■ US Treasury bonds drifted broadly lower yesterday as traders took a cautious position in advance of this week's heavy schedule of new supply.

The decline was greatest at the long end of the yield curve. In late trading, the Treasury's benchmark long bond was quoted ⅞ point lower to yield 8.56 per cent while short-dated maturities were ⅛ point lower.

This week's supply schedule kicked off with yesterday's auction of $17.2bn in three-month and six-month bills. This is followed by today's $11.25bn of two-year notes, $8.2bn of four-year notes tomorrow and $10.25bn of 52-week bills on Thursday.

According to bond economists at Griggs & Santow, the four-year auction is likely to be the best test of the market's ability to absorb paper at current yield levels of 8.5 per cent and above. They noted that Japanese investors have shown healthy interest in this section of the yield curve this year.

All these amounts are record highs, reflecting the increased funding need of the US Treasury, partly because of the need to provide working capital to the Resolution Funding Corp which is overseeing the bail-out of the thrift industry.

The only statistics due for release yesterday were figures for car sales in mid-June.

■ THE German bond market was firmer as trading volume remained low in advance of German monetary unification next Monday. With the release of inflation figures from the German Länder, analysts are toning down their inflation forecasts for this year. Figures will be announced this week.

The better outlook for inflation is underpinning the bond market where cash yields were at 8.75 per cent at the close of the market. Most Länder inflation levels showed a 0.1 per cent increase in May, underpinning forecasts for national inflation at 2.3 to 2.4 per cent.

■ GILT-edged securities saw prices open firmer yesterday but slid back later in the day largely on the back of the fragility in US Treasury prices. There is little driving the gilts market at present as investors keep their eyes fixed on the European Community summit meeting in Dublin.

Long gilt futures opened ½ of a point higher, but lost their gains later in the day to close at 85.28. A survey by the Confederation of British Industry brought positive news as it showed a slower economy.

S&P confirms Morris rating

By Andrew Freeman

THE current credit rating of Philip Morris, the New York-based group of companies which last week announced an agreed takeover of Jacobs Suchard, was confirmed yesterday by Standard & Poor's, the international ratings agency.

The Philip Morris group was placed under credit review on news of the $3.8bn takeover of Suchard's coffee and confectionery operations, reflecting uncertainty over where the necessary funding would come from.

However, S&P was quick to affirm the existing single-A rating on the group's senior debt and A-1 rating on its commercial paper programme. Around $10bn of debt is affected.

S&P said the acquisition should have a "relatively modest" financial impact, increasing gearing but not undermining the strong cash flows generated by Philip Morris' tobacco operations.

The company's rating continues to reflect its active acquisition programme as it seeks to diversify from tobacco, reinvesting its earnings into areas with better growth prospects.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on June 25

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	98⅝	99⅛	-⅛	9.44
ALBERTA PROVINCE 9 3/8 95	600	100½	100⅞	-⅛	9.23
AMERICAN GENERAL 9 3/4 95	100	96⅝	98⅝	-⅛	10.65
AUSTRALIA 11 1/4 00	100	108⅞	109⅛	+⅛	9.88
AUSTRIA 8 1/2 00	400	94⅞	95⅛		9.32
BANK OF TOKYO 8 3/8 96	100	95	95½	-⅛	9.53
BELGIUM 9 1/8 92	400	100⅛	100½		9.03
BFCE 7 3/4 97	150	92½	93		9.29
BNP 8 5/8 94	300	97⅞	98⅛		9.26
BP CAPITAL 9 5/8 93	150	100⅞	101½	+⅛	9.35
CANADA 9 96	1000	100	100⅛	-⅛	8.98
CCCE 9 1/4 95	300	100⅞	100⅛		9.12
COUNCIL EUROPE 8 96	100	94⅛	94⅝		9.27
DENMARK 0 98	250	48⅜	48⅞	+⅛	9.36
DENMARK 8 1/4 94	150	96⅝	97		9.25
ECSC 8 1/4 96	193	95⅛	95⅝		9.24
EEC 7 1/4 93	250	95⅞	96⅛		9.01
EIB 7 3/4 96	250	93⅛	93⅝		9.26
EIB 10 97	250	103⅝	104		9.24
ELEC DE FRANCE 9 98	200	99	99⅛	-⅛	9.17
EUROFIMA 9 1/4 96	100	100⅛	101	-⅛	9.14
EXPORT DEV CORP 9 1/2 98	150	101	101⅛	-⅛	9.31
FINLAND 7 7/8 97	200	92⅞	93⅛		9.38
FINNISH EXPORT 9 3/8 95	200	100⅝	101⅛	-⅛	9.20
FORD MOTOR CREDIT 9 1/2 93	300	100⅝	101⅛		9.24
GAZ DE FRANCE 12 1/4 93	175	103⅝	104⅛		10.78
GEN ELEC CAPITAL 9 3/8 96	300	100⅝	101⅛		9.20
GMAC 9 1/8 96	200	98⅝	99⅛	-⅛	9.40
HALIFAX 9 1/2 93	200	100⅛	100⅞		9.35
IBM WORLD TRADE 7 5/8 93	150	95⅛	96⅛		9.29
IND BK JAPAN FIN 7 7/8 97	200	92⅛	92⅝		9.46
INTER AMER DEV 7 5/8 96	200	92⅛	92⅝		9.34
ITALY 8 1/2 94	1500	97⅝	97⅞		9.16
JAPAN DEV BK 8 94	150	96⅜	96⅛		9.14
KANSAI ELEC PWR 10 96	350	102⅛	102⅝	-⅛	9.49
LTCB 8 5/8 93	150	98⅝	99⅛		9.19
NEW ZEALAND 8 93	100	96⅛	97⅛	+⅛	9.30
NIPPON CRED BK 9 3/4 93	150	101	101⅛		9.35
NIPPON TEL & TEL 9 3/8 95	200	100½	101⅛	-⅛	9.22
NISSAN ACCEPT CORP 9 1/4 91	150	99⅛	100⅛	-⅛	9.44
OLYMPIA & YORK 8 1/4 96	435	90⅛	91⅞	-⅛	10.52
ONTARIO HYDRO 11 5/8 94	200	106½	107⅛	+⅛	9.38
OSTER KONTROLLBANK 8 1/8 93	200	97⅞	98⅛		9.01
PRUDENTIAL RLTY SECS 0 99	365.216	46⅛	46⅞		9.47
QUEBEC HYDRO 9 3/4 98	150	101	101⅛	-⅛	9.55
QUEBEC PROV 9 98	200	97⅛	97⅞	-⅛	9.53
SAINSBURY 9 1/8 96	150	98⅝	98⅞		9.46
SAS 10 99	200	101	101⅛		9.81
STATE BK STH AUST 9 1/4 93	100	99½	100⅛		9.43
SUMITOMO TST 7 3/4 91	100	98⅛	98⅝		9.19
SWEDEN 8 1/8 94	150	96⅛	97⅛	+⅛	9.24
SWEDISH EXPORT 9 5/8 93	100	101⅛	101⅝		9.04
TOKYO METROPOLIS 8 1/4 96	200	95	95⅛	-⅛	9.31
WORLD BANK 8 3/8 99	1500	96⅛	96⅝		9.18
WORLD BANK 8 3/4 97	1500	98⅞	99		9.17
XEROX CORPN 8 3/8 96	100	93⅛	94⅛	-⅛	9.88

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 8 94	200	96⅛	96½	-⅛	9.09
AUSTRIA 6 98	400	83⅛	83½	+⅛	9.06
CNT 6 1/8 98	200	83⅝	83⅞	+⅛	9.04
CREDIT FONCIER 6 3/4 99	500	85⅛	85⅜	-⅛	9.20
DEUTSCHE BK FIN 5 5/8 96	750	85	85⅛		9.00
EEC 5 3/8 93	300	91⅛	91⅝		9.21
EIB 6 1/8 96	300	86⅛	86⅜		9.20
EIB 6 7/8 95	300	90⅞	90⅞	+⅛	9.10
ELEC DE FRANCE 6 1/8 98	300	82⅛	82⅜	-⅛	9.25
EUROFIMA 6 1/4 98	400	82⅞	83	+⅛	9.36
FERRO DEL STAT 5 3/8 93	500	91⅛	91⅝	+⅛	9.23
IND BK JAPAN FIN 5 5/8 96	200	84⅜	84⅞		9.26
INTER AMER DEV 7 1/4 99	300	88⅞	89		9.14
LUFTHANSA INT FIN 5 7/8 98	500	82⅛	82⅝		9.09
QUEBEC HYDRO 6 3/4 99	300	84⅝	84⅞		9.39
SWEDEN 6 1/8 98	300	83⅛	83⅝	+⅛	9.11
WORLD BANK 0 15	2000	14⅛	14⅛		7.94
WORLD BANK 5 3/4 96	300	85⅛	85⅛		9.20
WORLD BANK 7 1/8 95	500	93	93⅛	+⅛	9.05

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	86⅛	88	+⅛	7.26
AUSTRIA 4 5/8 98	100	88½	89⅛		6.58
COUNCIL EUROPE 4 3/4 98	250	87⅛	88		6.86
DENMARK 3 3/4 91	100	97	98		8.29
EEC 5 1/2 00	100	89⅛		+⅛	6.91
EIB 5 3/4 93	100	97⅛	98		6.59
FINLAND 5 3/8 95	150	93⅛	94		6.80
JAPAN DEV BK 5 1/2 94	100	97		+1	6.44
MOUNT ISA FINANCE 5 3/4 94	100	90	91⅛		8.91
NEW ZEALAND 4 7/8 99	200	86	86⅛		7.10
POLLY PECK INTL FIN 6 1/4 96	100	84		-½	10.07
QUEBEC HYDRO 5 08	100	79½		-⅛	7.06
SKANDINAVISKA ENSK 6 1/2 95	100	98⅛	98⅝	+½	6.95
WORLD BANK 6 1/4 92	100	98⅛	99½		7.08
WORLD BANK 7 1/4 92	100	101⅛	101½	+⅛	6.57

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	92⅝	92⅞	-⅛	7.16
CANADA 4 3/8 92	80000	95⅛	95⅜		7.07
CREDIT FONCIER 5 1/4 94	20000	92⅞	93⅛	-⅛	7.18
DENMARK 7 95	40000	99⅞	100⅛		7.02
EIB 4 5/8 94	40000	92	92⅛	-⅛	7.06
FNMA 6 7/8 92	50000	99⅝	100⅛	-⅛	7.09
GENERAL ELECTRIC 5 3/4 93	35000	96⅛	96⅝	-⅛	7.33
ITALY 5 3/4 92	150000	98	98⅛	-	7.05
KANSAI ELEC PWR 4 5/8 94	60000	91⅛	91⅞	-⅛	7.35
NIPPON TEL & TEL 5 7/8 96	50000	94⅛	95	-⅛	6.93
NORWAY 5 1/8 95	50000	92⅛	92⅞	-⅛	7.02
SWEDEN 5 5/8 95	20000	93⅛	94⅛	-⅛	7.08
WORLD BANK 6 3/4 00	50000	98⅛	99	-⅛	6.92

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	600	92	93		9.68
KREDIETCORP 7 93 LFr	1000	93	94		9.69
WORLD BANK 8 96 LFr	1000	93	94		9.61
AMRO BANK 6 1/4 92 Fl	150	94	94⅛		9.46
DENMARK 8 1/2 91 Fl	100	99	99⅞		9.68
HEINEKEN 7 5/8 94 Fl	150	95⅛	96⅛		9.01
PHILIPS GLOEILAMPEN 5 3/4 92 Fl	150	94	94⅞	+⅛	9.66
RABOBANK 5 3/4 93 Fl	150	91⅛	92⅛	+⅛	9.40
WORLD BANK 6 1/4 91 Fl	100	97⅛	98	-⅛	10.30
ALBERTA PROVINCE 10 92 C$	500	94⅞	95⅛	-⅛	12.98
BCE INC 9 5/8 93 C$	300	92⅛	92⅝	-⅛	13.08
BELL CANADA 10 5/8 99 C$	150	92⅛	92⅞	-⅛	12.07
BRITISH COLUMBIA 12 1/4 91 C$	100	98⅛	99		13.63
EIB 10 1/8 98 C$	130	90	90½	-⅛	12.17
FORD CREDIT CANADA 10 94 C$	100	91½	92	-⅛	12.75
GENERAL ELECT CAP 10 1/4 93 C$	175	93⅛	93⅞	-⅛	12.86
MONTREAL TRUSTCO 8 1/2 92 C$	100	92⅛	92⅞		13.52
ONTARIO HYDRO 10 7/8 99 C$	500	94⅛	94½	-⅛	11.97
QUEBEC PROV 10 1/2 98 C$	200	91⅛	91⅝		12.22
ROYAL TRUSTCO 10 1/4 93 C$	100	93	93⅛	-⅛	13.27
SWEDEN 9 3/4 93 C$	250	93⅝	93⅞	-⅛	12.62
AUSTRIA 7 3/8 93 Ecu	125	93⅞	94⅛		10.05
CNT 7 3/8 93 Ecu	250	92⅝	93⅛	+⅛	10.35
CREDIT LYONNAIS 9 96 Ecu	125	94⅛	95⅛	+⅛	10.22
DENMARK 7 5/8 96 Ecu	250	88	88½	+⅛	10.46
EEC 7 5/8 94 Ecu	200	91⅝	92⅛		10.46
EIB 10 97 Ecu	500	98⅛	98⅜		10.30
ITALY 10 3/4 00 Ecu	1000	102½	102⅞	+⅛	10.32
SWEDEN 7 1/2 93 Ecu	250	92½	93		10.20
BMW FINANCE 14 1/2 92 A$	300	100⅛	100⅞		14.24
COUNCIL EUROPE 13 93 A$	50	98⅛	99⅛		13.50
EKSPORTFINANS 12 3/8 95 A$	75	92⅞	93⅛		14.52
FORD CRED AUST 13 93 A$	50	96⅛	96⅞		14.63
HEINZ 12 3/4 91 A$	100	97⅛	97⅞		15.76
ICI 15 1/2 92 A$	100	101⅛	101⅞	-⅛	14.67
NAT AUSTRALIA BANK 14 3/4 94 A$	150	100⅛	100⅛		14.57
STATE BK NSW 14 1/4 99 A$	100	99⅛	100		14.31
VOLKSWAGEN INTL 15 94 A$	100	102⅛	103	+⅛	14.06
BARCLAYS JERSEY 9 1/2 93 £	250	91⅛	91⅛	-⅛	13.37
EIB 10 97 £	300	88⅞	88⅛		12.64
FORD CREDIT FUNDING 9 5/8 93 £	50	90⅞	91⅛		13.84
INTER AMER DEV 11 3/8 95 £	75	95⅛	95⅞	-⅛	12.68
ITALY 10 1/2 14 £	400	88	88⅛		12.04
LAND SECS 9 1/2 07 £	200	75⅛	75⅛	-⅛	13.20
LEEDS PERMANENT 9 1/4 93 £	50	90½	91		13.37
NORWAY 10 1/2 94 £	200	93⅛	93⅞		12.89
ROLLS-ROYCE 9 5/8 93 £	150	90⅞	90⅞		13.73
SAINSBURY 10 7/8 93 £	100	93⅞	94⅛		13.81
WORLD BANK 11 1/4 95 £	100	95⅛	95⅜	-⅛	12.63
BARCLAYS BK 13 1/4 92 NZ$	50	101	102		12.65
UNILEVER CAP CORP 14 92 NZ$	60	101⅞	102⅝	+⅛	12.46
AIDC 7 7/8 93 FFr	600	93⅛	93⅞	+⅛	10.39
DENMARK 8 1/8 91 FFr	1000	97⅛	97⅝	+⅛	10.17
EURATOM 7 5/8 98 FFr	500	85⅛	86⅛		10.33

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ABBEY NATIONAL 1/16 00 £	150	99.96	100.04	15.3125
ALBERTA PROVINCE 1/32 93	500	99.89	99.99	8.4063
ALLIANCE & LEICS 0.08 94 £	300	99.89	99.94	15.3300
BANCO DI NAPOLI INT 91	150	99.97	100.07	8.8750
BANCO ROMA 0.03 01	200	95.97	96.23	8.2800
BELGIUM 1/16 97 DM	500	100.05	100.16	8.9375
BFCE -0.02 96	350	99.83	99.93	8.4175
BNP 05	300	98.75	98.97	8.3750
BRITANNIA 1/10 96 £	150	99.91	99.96	15.3500
CITICORP 1/4 98	500	96.46	96.96	8.5625
CITIZENS FED 0.15 96	100	98.96	99.75	8.7125
COMMERZBK O/S FIN 93	200	99.59	99.69	8.3125
DENMARK -1/8 96	1000	99.12	99.22	8.1875
FERRO DEL STAT 94	200	100.27	100.37	8.4375
HALIFAX 1/10 94 £	200	100.05	100.10	15.3500
MITSUI FIN ASIA 1/8 96	100	99.92	100.03	8.5625
MORGAN (JP) 1/4 97	250	99.63	100.00	8.5625
NAT WEST FIN 3/16 05	400	97.53	97.88	8.8125
NEW ZEALAND 93	500	99.44	99.54	8.2500
NORTHEAST SAVINGS 1/10 96	150	99.00	99.79	8.5375
PORTUGAL 0.05 93	700	99.89	99.99	8.4875
QUEBEC PROV 01	300	97.44	97.59	8.5000
RENFE 98	500	99.65	99.75	8.5000
SOCIETE GENERALE 96	300	99.27	99.37	8.6250
UNITED KINGDOM -1/8 96	4000	99.78	99.82	8.2500
WELLS FARGO 1/16 94	150	98.00	98.50	8.3750

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	60	2.95	100⅛	101⅛	+25.05
ASDA-MFI 4 3/4 02 £	100	1.64	105⅛	106	+42.48
BURTON GROUP 4 3/4 01 £	110	3.15	107⅛	108⅞	
EASTMAN KODAK 6 3/8 01	300	50.67	95⅛	96⅛	+17.36
GOODYEAR TIRE 6 7/8 03	150	80⅛	75⅞	76⅞	+92.54
GRACE (WR) 6 1/4 02	150	42⅛	85⅞	86⅛	+24.74
GRAND MET 6 1/4 02 £	100	6.58	105⅛	106⅛	+2.63
HAWLEY 6 02 PREF	400	1.91	111⅛	112⅛	+5.45
HILLSDOWN 4 1/2 02 £	150	4.16	98⅛	99⅛	+47.74
INTL PAPER 5 3/4 02	200	68⅛	88⅛	89⅛	+18.99
LAND SECS 6 3/4 02 £	84	6.72	82⅛	83⅛	+12.00
METAL BOX 5 3/4 02 £	65	1.93	105⅛	106⅞	-3.04
MITSUBISHI BK 1 3/4 02	300	2727.1	86	87⅛	-2.48
OGDEN 6 02	85	39.077	86⅛	87⅛	+29.63
PACIFIC DUNLOP 6 3/4 97	75	3.749	106½	107½	-1.28
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	76⅛	77½	+61.79
THORN EMI 5 3/4 04 £	103	7.45	107⅛	108⅛	+2.45

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Japanese banks poised to exploit subordinated loans

By **Stefan Wagstyl** in Tokyo

JAPANESE banks are finalising plans to raise funds for the first time through subordinated loans following a decision by the Japanese Ministry of Finance to ease borrowing rules.

Bankers estimate that banks could between them seek to raise Y1,000bn to Y1,500bn in this way to help meet their needs for capital under standards set out by the Bank for International Settlements.

The pressure on the banks to find fresh sources of capital was magnified by this year's setback in the Japanese stock market, which cut deeply into the value of the banks' securities holdings.

However, the Finance Ministry will control the banks' use of subordinated loans.

It also said the decision on subordinated loans would have no effect on the ministry's deliberations on whether to allow banks to issue subordinated bonds – potentially a much larger source of capital for banks.

"The issues are separate," said the ministry.

The biggest borrowers are expected to be city (commercial) and regional banks. The lenders will be life companies and non-bank financial companies. Sanwa Bank, one of the largest city banks, said: "This is very significant because it helps us raise capital for our BIS ratio."

Capital ratios of 15 top Japanese banks	Per cent
Sumitomo	8.44 (8.90)
Sanwa	8.50 (7.57)
Fuji	8.25 (8.08)
DKB	8.30 (8.20)
Mitsubishi	8.40 (9.12)
Mitsui Taiyo Kobe	7.10 (na)
Tokai	7.80 (7.38)
Daiwa	8.40 (8.59)
Kyowa	8.80 (8.10)
Saitama	8.30 (8.00)
Takugin	8.30 (7.10)
Bank of Tokyo	8.00 (8.10)
IBJ	7.80 (9.00)
LTCB	8.20 (7.10)
Nippon Credit	7.30 (7.20)

BIS final standard at end March: September 1989 figures in brackets.

There were fears that the issue of subordinated loans might depress the bond market as institutions dumped bonds in favour of loans which would pay higher rates of interest. The rate on subordinated loans will be linked to long-term prime rate, currently 7.6 per cent, or some 0.3 percentage points above the rates on leading corporate bonds.

However, the likely total of subordinated loans made in the next year will be dwarfed by the total outstanding amount of yen corporate bonds, including convertible issues, which is estimated at above Y25,000bn.

The biggest risk for the banks could be that the investing institutions might sell low-yielding bank equities to make room for high-yielding subordinated loans.

Life companies have some reservations about lending money to banks. They are anxious to extend their own lending to industrial companies, in the hope of using these loans to generate other fee-paying services.

Some companies will see lending to banks rather like funding competitors. Sumitomo Life said yesterday: "We are supplying funds to the final borrowers already. So we will not overturn our portfolios for this. But it does extend our options."

● Daiwa Bank and Saitama Bank are likely to be the first Japanese banks to raise funds though subordinated loans, Reuter reports. Officials at the two banks said they had held preliminary talks with the MoF.

Pallas takes stake in Spanish stockbroker

By **David Lascelles**, Banking Editor

THE Pallas Group, the financial services group headed by Mr Pierre Moussa, is to take an interest in Maxwell y Espinosa, a Spanish stockbroking firm specialising in research and trading.

Pallas will take both a stake in Maxwell y Espinosa and have operational agreements with the firm, which claims to carry out a large percentage of Spanish equity investments made by foreign institutions.

Mr Howard Youngstein, an executive in Pallas' London office, said the cost of the stake was not being disclosed.

Pallas is already active in Spain through Pallas Finanzas, a merchant bank, which will combine its operations with those of the stockbroking firm.

CBOT launches note contract

By **Barbara Durr** in Chicago

THE Chicago Board of Trade (CBOT) has launched a two-year US Treasury note futures contract which will trade during the CBOT's evening session from 6.00 to 9.30 from Sunday to Thursday and during daytime hours. The new contract, based on US Treasury notes, will have a par value of $200,000 per unit.

The two-year note contract joins the CBOT's interest-rate offerings of futures contracts and futures/options on US Treasury bonds, 10-year and five-year notes, as well as a 30-day interest-rate futures contract.

NZ futures deals increase by 40%

TRANSACTIONS on the New Zealand Futures Exchange increased by 40 per cent in the year ended March 1990, and the exchange's profits doubled to NZ$343,384, Dai Hayward reports from Wellington. Trading averaged between 2,000 to 3,000 lots per day last year.

Buyers line up for French deals

By **Tracy Corrigan**

THE firm tone in the French government bond market continues to support demand for French franc-denominated Eurobonds, with more issues expected to emerge later this week.

Saint-Gobain, the French glass-maker, increased its issue of 10½ per cent five-year bonds to FFr1bn. The issue, originally totalling FFr750m, was launched last Friday at a spread of 43 basis points above the comparable French Treasury bond. Saint-Gobain is the first French industrial company to launch an issue in the sector for a year. It plans to use the proceeds to finance its acquisition of Norton Group. The deal was bid at less 1¾, within fees of 1⅞ point.

Other French companies are now expected to follow Saint-Gobain's return to the market, with at least one more issue close to fruition. Moët Hennessy Louis Vuitton (LVMH), the French drinks and luxury products group, is likely to tap the sector later this week, with a FFr1bn five- or seven-year Eurobond. Crédit Lyonnais, the firm's house bank, is expected to win the mandate.

In the dollar sector, the Metropolis of Tokyo brought $175m of 9⅛ per cent five-year Eurobonds guaranteed by the Government of Japan. The bonds were said to have attracted fresh investment by both European and Japanese accounts. The launch spread of 50 basis points above the five-year US Treasury did not leave much room for switching. The Metropolis' outstanding 9¼ per cent bonds due 1994 were trading at a spread of about 47 basis points, while the new issue settled at around the same level.

The deal was quoted at less 1.80 bid, within fees of 1⅞ points, according to lead manager IBJ International.

Prices of Eurobonds in the Canadian dollar sector slid less than a quarter of a point, after the weekend collapse of the Meech Lake accord renewed fears of constitutional crisis over the French-speaking province of Quebec. Investors were taking the view that the political problems would not pose a serious threat to the country's economic stablity, dealers said.

Two issues were launched in the Austrian market, both of which are partly placed internationally. The Republic of Austria's Sch2bn issue of six-year callable floating-rate notes pays interest at ⅛ point below the three-month Vienna interbank offered rate (Vibor). Deutsche Bank Austria is lead manager, the first time a non-Austrian institution has arranged an offering in schilling.

Separately, Austrian Industries, the state-owned industrial group, launched its expected Sch3bn issue, with Creditanstalt-Bankverein as lead manager. Holders of the 6 per cent five-year bonds will be offered warrants to buy shares at 95 per cent of the initial public offer price, at any time during the 13 months after public listing. If bondholders choose not to take the warrants, the bonds will be repaid at 108.5. If there is no public offering, the bonds will be repaid at a premium price of 118.5, Creditanstalt said.

● Arab Banking Corporation's newly-issued shares would be traded for the first time on the Bahrain and Paris stock exchanges from today, Reuter reports. Bankers say the bulk of trade is likely to take place in Paris, where deals could be concluded more quickly by screen-based trading. Deals on the Bahrain exchange are carried out manually.

ABC's $350m share offering last month was the biggest held in the Middle East and the first by an Arab institution available to foreigners.

The issue of 25m shares, priced at $14 each, was oversubscribed.

About 85 per cent of the shares were privately placed with Arab firms and individuals, and 10 per cent went to foreign investors.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Metropolis of Tokyo(a)◆	175	9⅛	101.80	1995	1⅞/1¼	IBJ Int.
AUSTRIAN SCHILLINGS						
Austrian Industries(b)♦◆	3bn	6	100	1995	1.8/1	Creditanstalt Bankverein
Austria, Republic of(c)‡◆	2bn	-⅛	100	1996	20bp	Deutsche Bank Austria
FRENCH FRANCS						
St. Gobain Nederland(d)◆	1bn	10½	101.80	1995	1⅞/1¼	CCF

♦With equity warrants. ‡Floating rate notes. ◆Final terms. a) Non-callable. b) "Going public" bond issue with equity warrants as a precursor to its eventual flotation. c) Coupon pays ⅛% under 3-month Vibor. Minimum coupon 3½%. Call after three years at par and on interest payment dates thereafter. Sch1bn of issue aimed at international investors. International tranche co-ordinated by Deutsche Bank Capital Markets. d) Issue increased from FFr750m.

Korean group plans Euro-issue

By **John Ridding** in Seoul

SUNKYONG Industries, one of South Korea's largest producers of synthetic fibres, plans a $40m to $50m Euro-convertible bonds issue aimed at financing the construction of a joint venture polyester factory in Indonesia.

Premiums for South Korean Euromarket issues have shown some recovery since their sharp falls earlier this year, when a sharp increase in supply of new issues combined with weakness in the underlying stock market to depress the convertible market.

Sunkyong Industries, which is part of the Sunkyong Group, South Korea's fifth largest conglomerate, has been undergoing a substantial restructuring.

The group aims to shift its principal product lines from fibres and textiles to high value-added items such as speciality chemicals, new materials and health-care products. The associated increase in capital expenditure and the consequent rise in interest costs contributed to a sharp fall in profits last year.

Net income declined sharply, from Won6.5bn ($9.02m) to Won1.8bn.

However, a recovery in profits is expected in the current year due to reduced costs of raw materials, average wage increases of about 10 per cent compared with 22 per cent last year, the depreciation of the Korean currency and the contribution from new factories.

According to Sangyong Investment and Securities, lead manager and book runner for the issue, the coupon will be about 1.5 per cent and the premium will be in the region of 50 per cent, which is relatively low for Korean issues.

Daiwa, Goldman Sachs and Robert Fleming are joint lead managers on the issue.

● The launch of another Korean fund yesterday is an indication of renewed interest in the Korean market since the drop in share prices earlier this year.

The Korea Pacific Trust is being created by Kleinwort Benson and Korea Investment Trust Co to invest 70 per cent of its funds in Korea and the rest in other Pacific countries.

The $100m fund is offering 10m units with 6m of them earmarked for overseas investors. The remaining shares in the fund will be sold to investors in Korea.

S&P creates two tiers of Australian bank credit

By **Bruce Jacques** in Sydney

THE increasingly competitive international credit rating agencies have created a "two tier" assessment of Australia's four leading trading banks.

This emerged when Standard & Poor's, the US credit rating agency, announced an AA minus rating for the ANZ Banking Group's long-term debt. It was the bank's first long-term rating debt and placed it on a par with Westpac Banking Corporation which was also recently rated for the first time.

That places both banks one credit rating rung below their competitors, the National Australia Bank and the Commonwealth Bank, which both rate AAA ratings.

Standard & Poor's sees the National as the most efficient of the leading Australian private sector banks, with a less serious exposure to bad loans than its competitors.

The Commonwealth Bank has gained its AAA rating mainly because it is 100 per cent-owned by the Australian Government.

Standard & Poor's Australian subsidiary, Australian Ratings, also announced that an A1-plus rating had been assigned to the ANZ's short-term certificates of deposit and commercial paper.

The bank's medium-term and floating-rate certificates of deposit were confirmed at an AA rating.

Euroclear announces cut in fees of up to 22%

By **Andrew Freeman**

EUROCLEAR, the larger of the two international securities clearing organisations, is reducing its fees for securities safekeeping from July 1. Bills for the largest users of the system could be reduced by up to 22 per cent.

Dr Rolf-Ernst Breuer, chairman of the Euroclear Co-operative, said: "Significant rebates and solid earnings resulted from increased activity and careful control of expenses." The news accompanied the general meeting in Brussels of the co-operative which nominally owns the clearing system. Euroclear is operated under licence by Morgan Guaranty.

The Co-operative reported a profit after tax and rebates of $2.5m, up from $500,000 in 1989. It paid $8m in rebates to the market last year. These figures are calculated separately from any profits Morgan Guaranty made from operating the system.

Dr Breuer also stressed the importance of discussions between Euroclear, its rival Cedel and the Association of International Bond Dealers over the rapid establishment of a communications network designed to save money for participants. Since the AIBD's meeting in May discussions have been suspended while the AIBD asks members whether they are prepared to pay development and servicing costs.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

	Monday June 25 1990: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Fri Jun 22 Index No.	Thu Jun 21 Index No.	Wed Jun 20 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (198) to 71 Investment Trusts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (5)	1431.97	....	9.70	6.38	12.36	44.49	1431.80	1432.56	1427.84	1321.28
99 ALL-SHARE INDEX (679)	1179.39	+0.6	–	4.68	–	21.57	1171.96	1168.67	1169.61	1114.48

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jun 22	Jun 21	Jun 20	Jun 19	Jun 18	Year ago
FT-SE 100 SHARE INDEX♦	2398.5	+20.0	2398.5	2361.2	2378.5	2370.3	2371.2	2369.7	2370.5	2179.6

FIXED INTEREST

	PRICE INDICES	Mon Jun 25	Day's change %	Fri Jun 22	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	115.87	+0.08	115.77	–	6.27
2	5-15 years	122.98	+0.21	122.72	–	6.91
3	Over 15 years	127.04	+0.17	126.81	–	6.15
4	Irredeemables	146.00	-0.33	147.49	0.99	7.35
5	All stocks	122.76	+0.16	122.57	0.01	6.70
	Index-Linked					
6	Up to 5 years	146.52	+0.06	146.43	–	1.49
7	Over 5 years	138.84	+0.10	138.69	–	2.03
8	All stocks	139.30	+0.10	139.16	–	1.99
9	Debentures & Loans	98.95	+0.16	99.04	0.25	6.11
10	Preference	73.78	-0.01	74.15	0.36	3.45

	AVERAGE GROSS REDEMPTION YIELDS		Mon Jun 25	Fri Jun 22	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	10.91	10.90	10.08
2		15 years	10.55	10.52	9.64
3		25 years	10.49	10.45	9.45
4	Medium Coupons	5 years	11.87	11.91	11.19
5		15 years	11.02	11.06	10.12
6		25 years	10.65	10.67	9.65
7	High Coupons	5 years	11.97	12.01	11.31
8		15 years	11.27	11.29	10.33
9		25 years	10.89	10.89	9.83
10	Irredeemables†		10.47	10.43	9.42
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	5.27	5.28	3.89
12	Inflation rate 5%	Over 5 yrs.	4.16	4.17	3.81
13	Inflation rate 10%	Up to 5 yrs.	4.16	4.17	3.10
14	Inflation rate 10%	Over 5 yrs.	3.98	3.98	3.64
15	Debs & Loans	5 years	13.49	13.24	12.00
16		15 years	12.85	12.80	11.67
17		25 years	12.85	12.80	11.35
18	Preference†		12.51	12.46	10.32

♦Opening index 2361.2; 9 am 2364.2; 10 am 2374.9; 11 am 2379.1; Noon 2387.1; 1 pm 2390.4; 2 pm 2390.5; 3 pm 2391.6; 4 pm 2395.2; 4.10 pm 2396.3; (a) 4.31pm (b) 8.30am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	70	11	18
Corporations, Dominion and Foreign Bonds	1	4	18
Industrials	466	307	803
Financial and Properties	154	182	408
Oils	15	28	45
Plantations	2	0	8
Mines	36	40	89
Others	44	99	93
Totals	788	671	1,482

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ψ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ⊕ Unlisted securities market. * Third Market. B Units comprising 11 new ord. & 2 warrants. ϕ Issued in connection with reorganisation, merger or takeover.

TRADITIONAL OPTIONS

● First Dealings June 18
● Last Dealings June 29
● Last Declarations Sept. 20
● For settlement Oct. 1

For rate indications see end of London Share Service

Calls in Aaronson Bros., Aviva Pet., Gaelic Res., Hazlewood Foods, Oliver Res. and Priest Marians. Put in Speyhawk.

LONDON TRADED OPTIONS

Option		CALLS			PUTS		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK COMPANY NEWS

Recently acquired Hanimex makes strong contribution in spite of slower sales

Gestetner advances 33% to more than £21m

By John Thornhill

GESTETNER, the office equipment and photocopier distributor, recorded a 33 per cent increase in pre-tax profits in the half-year to April 30.

The results, which reflected strong organic growth, also included results from Hanimex, the Australian photographic equipment group acquired late last year.

Overall, Gestetner's pre-tax profits grew from £16.2m to £21.5m and sales swelled to £398.1m (£216.9m). Organic growth in the office products division ran at 16 per cent in terms of sales and margins rose from 7.8 to 8.2 per cent.

Trading profits were sharply higher at £30.8m (£16.9m) but were held back at the pre-tax level by a substantially higher interest charge of £9.3m (£700,000) which arose from the funding of acquisitions.

Hanimex suffered from softening consumer markets in both Australia and the UK and experienced a slowing of sales. It nonetheless contributed £6.6m to trading profits and £103.5m to turnover.

Mr Basil Sellers, Gestetner chairman and chief executive, said: "I think it will be tough in Australia for the next six months."

This April, Gestetner also completed the purchase of the the non-US operations of Nashua Office Systems for £90.6m.

Mr Sellers said Gestetner's major management task over the coming year would be to integrate the Nashua business and to reduce its debt level significantly.

Until that was achieved the company was unlikely to make any major acquisitions, he said.

The bulk of Gestetner's business now comes from overseas and the company believes that this will help protect it from weaknesses in particular markets.

Trading profits by geographic region were: UK £7.6m (£4.2m); other EC countries £16.5m (£9.3m); rest of Europe £1m (£800,000); north and south America £3.7m (£3.1m); and Africa, Asia, and Australasia £5.5m (£3m).

The interim dividend is raised from 1.4p to 1.7p and earnings per share on a fully diluted basis grew from 11p to 13p, an increase of 18 per cent.

Mr Sellers said he believed that second-half profits would be significantly above those in the first half and that fully diluted earnings per share would be at least as good as those achieved at the interim stage.

Trevor Humphries

Greg Maelgaard, deputy chairman (left), and Basil Sellers: the second half would be better

● **COMMENT**

Gestetner's shares went for something of a tumble earlier this year ahead of the acquisition of Nashua's office business but they have been climbing steadily back into favour as the strength of the company's trading has become apparent. This set of results confirmed this trend and the shares rose a further 3p to 243p yesterday. With the benefit of hindsight, it would appear that the Hanimex acquisition was made at an unfortunate time just as the UK and Australian consumer markets began to take a battering. But in the longer term this move looks as though it will more fully justify itself and Nashua will also provide a further boost to earnings. A year of consolidation lies ahead as the benefits of the acquisitions are wrung out but pre-tax profits may still advance to over £50m putting Gestetner on an undemanding prospective multiple of about 9.

Maxwell plans to buy stake in Turkish daily newspaper

By Raymond Snoddy

MR ROBERT Maxwell, the British publisher, is negotiating to buy a large stake in Hurriyet, the largest daily newspaper in Turkey with a circulation of about 700,000.

Mr Maxwell had discussions early this month in Istanbul with Mr Erol Simavi, the owner of the paper. Mr Simavi's father was the founder.

The politically independent paper is available all over Europe, including London, and it has a colour printing plant in West Germany to serve the Turkish workers there. The plant also prints part of the international edition of the Financial Times.

Mr Maxwell clearly sees Hurriyet as a flagship of a Balkan chain of newspaper interests which he is trying to put together. He is also interested in media acquisitions in Bulgaria.

What was not clear last night was whether Mr Maxwell would be able to acquire control of the paper. The intention of the owner was to negotiate for the sale of a large minority stake in the venture so that the paper would be able to increase its international expansion. It might turn out to be difficult to persuade a newspaper family to cede control to Mr Maxwell.

The two sides came together through mutual contacts.

If the deal goes ahead, the purchase will be made through Mirror Group Newspapers rather than Maxwell Communication Corporation, Mr Maxwell's quoted company which reports its results today.

MGN is increasingly being used as the vehicle for international newspaper purchases by Mr Maxwell. In May MGN was used to buy three supermarket tabloid magazines in the US – the Globe, the National Examiner and the Sun. And last month MGN struck a deal to buy 49 per cent of West Australia, although that deal immediately ran into potential regulatory problems from the Australian government.

Meanwhile Pergamon AGB, Mr Maxwell's television research and audience measurement company, was sticking to its claim that it had been requested by the three main US television networks to re-enter the television market to compete with AC Nielsen.

Over the weekend Nielsen Media Research accused Pergamon AGB of entering the US market "under false pretence".

The US company said AGB's claim that it had been specifically asked by television networks NBC, CBS and ABC to re-enter the market was wrong.

£10m buy for Reader's Digest

By John Thornhill

DAVID & CHARLES, the Devon-based publisher, is recommending a £10.4m takeover offer from the Reader's Digest Association, the US group which publishes the world's most widely read magazine.

David & Charles, which is run from Newton Abbot, publishes a wide range of general interest and reference books and owns the Readers Union, one of the UK's leading book clubs.

In the year to January 31 1990, David & Charles made pre-tax profits of £591,000 (£722,000) on sales of £15.73m (£13.29m). The reduced profits level achieved in 1990 resulted from higher borrowings and interest charges.

Reader's Digest, which is making the acquisition through Reader's Digest Association Limited, its UK subsidiary, is offering 71.25p cash for each David & Charles share. It is also offering holders of its convertible preference shares 71.25p per share cash with a further payment equal to the accrued dividend.

The offer has already been accepted by shareholders representing 64 per cent of the ordinary shares.

Reader's Digest, which went public earlier this year, has stated its objective to expand its presence in world publishing markets.

Mr Neil McRae, managing director of Reader's Digest's UK operations, said David & Charles fitted nicely into the company's strategic growth plans.

Earlier this year, Mr David St John Thomas, David & Charles's chairman, announced in a letter to shareholders that the company was holding discussions with Reader's Digest which might lead to an offer being made.

Reader's Digest said yesterday that it intended to keep David & Charles's base in Newton Abbot.

Ex-Payless chief seeks £4m

By Maggie Urry

A WRIT demanding some £4m in compensation from Boots, the retail and pharmaceutical group, is expected to be issued today by lawyers acting for Mr Philip Birch, the former chairman of Ward White.

Mr Birch left Ward White, the Halfords and Payless retail group, when Boots acquired it in August last year after a £900m contested takeover battle.

Negotiations between the two sides over compensation for Mr Birch have been in progress since the takeover but the two sides have failed to reach agreement. Other directors of Ward White have come to terms with Boots.

Mr Birch originally claimed his Ward White contract entitled him to over £13m, but he has reduced his demands to about £4m.

The refusal by Boots, which is not commenting on the matter, to settle so far suggests the company believes Mr Birch is entitled to less. If the two sides cannot settle out of court the issue could take many months to come to trial.

Arguments centre over Mr Birch's five-year rolling contract with Ward White, which gave him a basic annual salary of £117,663 plus bonuses relating to performance.

This promised him 0.67 per cent of profits in excess of 10 per cent of net tangible assets. In 1988-89, the last full year before Ward White was taken over, Mr Birch received £528,369.

Boots knew about the contract at the time of the bid, which was set out in Ward White's defence document.

The size of Mr Birch's claim depends on his forecasts of these financial measures for Ward White over the next five years. These forecasts are apparently disputed by Boots.

Since the takeover retail conditions have worsened. The issue is further clouded because Boots has sold some of Ward White's businesses, and has recently agreed to merge the Payless chain of DIY superstores with WH Smith's Do It All chain.

Mr Birch has already received close to £1m by commuting part of his pension to provide a lump sum and has a £350,000 a year pension.

Unilever set to take full control of Swedish group

By Nikki Tait

UNILEVER, the Anglo-Dutch consumer products group, has offered to acquire the outstanding half share in Margarinbolaget, a Stockholm-based supplier of margarines, low-calorie spreads, and dairy products.

Unilever already holds 50 per cent of Margarinbolaget, with the other 50 per cent being owned by Aritmos, a quoted Swedish company. According to Unilever, the arrangement is long-standing, and the edible fats company, the market leader in Sweden, is jointly managed.

The terms of the transaction have not been disclosed. However, the offer is for Unilever to take full ownership of the business in early 1991 and this deal would be conditional of government approval and a ruling on various tax matters. The deal is expected to result in a net increase in Aritmos' equity of about SKr650m (£62m).

Unilever said yesterday that it understood that Aritmos would consider the offer over the coming months "in the context of its long-term strategy for its growing interests in sports and leisure products". For Unilever, the transaction would be in line with the declared policy of concentrating expansion on food and personal products.

Margarinbolaget's annual sales are about £145m. It has 600 employees.

Coal funds extend Globe offer and claim 41.7%

By Nikki Tait

BRITISH COAL pension funds has extended its £1.11bn offer for Globe, Britain's biggest investment trust, until July 9. This represents "day 60" of the bid timetable, and the offer will not be extended beyond then.

The predator also released the formal offer document for its revised terms. In it, BCPF claimed control of 41.7 per cent of its target's equity. This was struck ahead of yesterday's market purchases. However, Seaq trading volume was very low at 1.1m shares, and the figure is unlikely to have changed significantly.

BCPF repeated its claim that the offer represents a 4.4 per cent discount to Globe's "adjusted net asset value" at June 21. Globe, by contrast, has argued that further adjustments should be made to give a higher valuation of the group's worth.

BCPF also suggested that, if the offer failed, shareholders could expect the discount to widen again, and the share price to fall. It pointed to the average 17 per cent discount in the 12 months before its offer was announced. "If the share price fell to the 17 per cent discount mentioned above from our estimate of Globe's net asset value," said the document, "it would stand at 178p.

That brought the retort from Globe that the bidder was "reduced to trying to scare people into accepting the offer with misleading figures." The Coal funds, it claimed, were becoming "increasingly desperate", and had "misjudged" the revised offer price.

TV moves rejected by Hanson

By Raymond Snoddy

LORD HANSON, chairman of Hanson, the international industrial group, has decided not to enter the UK commercial television market because he believes it is too unpredictable.

The former chairman of Trident Television, which controlled the areas now covered by Yorkshire and Tyne Tees, was expected to be a leading new player in the UK broadcasting market when the franchises are put out to competitive tender next year.

He said yesterday he had all but decided against trying to purchase the 52 per cent of Thames Television now on offer because "the odds [against retaining the franchise] are simply too great".

There had also been speculation that Lord Hanson would try to win another major franchise in the competitive tenders, but he said he had decided "not to go further at this stage".

He is concentrating his interests in broadcasting on commercial radio – in particular on Melody Radio which began test transmissions yesterday and which goes on air on July 9.

The station is aimed at around 8m potential adult listeners within the M25 ring.

It will cost about £2m to set up and will have running costs of about £1.5m.

● Air Information Radio, two radio stations based at Heathrow and Gatwick airports were launched yesterday by Mr Cecil Parkinson, the transport secretary. The two stations will broadcast constantly updated travel information and commercials aimed particularly at car drivers on their way to catch flights.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Allen § ....fin	3.2	July 28	-	4.8	-
Amer Business § ....fin	1.6	Sept 19	1.3	2.4	2
Gestetner ....int	1.7†	Sept 3	1.4	-	7.5
Grainger Trust ....int	1.2	Aug 10	1.2	-	5.25
Wellman ....fin	1.35	July 27	1	2.1	1
W'minster Scaff§ ....int	2	Sept 30	-	-	3
Whitecroft ....fin	10.4	Aug 13	9.7	15	13.8

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock.

Greig Middleton takes on Stock team

By David Owen

GREIG MIDDLETON, the independent stockbroker, is to take on eight former employees of Stock Group (Channel Islands) together with certain assets and rights to the liquidated stockbroker's client base.

The firm is awaiting regulatory ratification to conclude the establishment of Guernsey-based Greig Middleton (CI).

The managing director of the new subsidiary will be Mr Shane Le Prevost, previously a Stock Group (Channel Islands) director.

Stock Group (Channel Islands) was instructed by its shareholders earlier this month to take the necessary steps to place the business of the company into liquidation.

According to Mr Norman Andrews, Greig Middleton managing director: "Although not taking on any liability for existing transactions we will . . . do everything possible to assist clients in the settlement of any items which are still outstanding with the Stock Group in Guernsey."

NEWS DIGEST

Sales at Ratners 20% higher

By Maggie Urry

MR GERALD RATNER, chairman and chief executive of the Ratners jewellery retail group, told shareholders at the annual meeting yesterday that group sales were running 20 per cent ahead of the same period last year.

In the UK sales were showing percentage gains in the high teens on a comparable store basis, while the like-for-like gain in the US was 8 per cent. He said another aggressive marketing campaign was being planned for Christmas, the period when the group makes most of its profits.

Mr Ratner made no comment on rumours that the group is planning to expand in the US through buying a group of shops from a rival retailer.

Ratners shares gained 1p to close at 284p yesterday.

Cassidy Brothers falls into the red

Following the sharp decline in interim profits, Cassidy Brothers, the USM-quoted toy manufacturer, fell into the red in the second half and recorded a pre-tax loss of £311,671 for the year ended April 30. This compared with a £581,441 profit previously.

The dividend is cut from 3.15p (interim 0.45p; final 2.7p) to a single 0.75p. Turnover for the 12 months slipped from £4.43m to £4.11m and loss per 10p share emerged at 5.98p (6.75p earnings).

The company said it remained too early to forecast with certainty the likely outcome for 1990-91, but market trends gave positive indications of a return to profitability.

In January, the company blamed high interest rates and a delay in orders for first-half profits of only £25,000 (£565,000).

'Satisfactory' 9% rise at JS Pathology

JS Pathology, the clinical pathology company, increased pre-tax profits by 9 per cent, a result directors considered satisfactory as the company was still being developed with considerable investment.

The profit for the year, to March 31 1990, came to £3.98m (£3.64m) and was generated from turnover ahead more than 10 per cent to £11.55m (£10.5m). The dividend is again 5.5p, with a proposed final of 3.7p, from earnings of 19.2p (17.8p) per share.

The new laboratory premises at Camden Lock, London, should be operational from next January, while the long-standing presence in London's Harley Street would be maintained.

Northern Laboratory Services, the Manchester subsidiary, lifted turnover considerably and, to allow for expansion, will move to larger premises at the end of the month.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Aukett Associates, Beckenham, LPA Industries.

Finals- Anglo United, Avesco, Carroll (P.J.), Courts (Furnishers), Debenham Tewson & Chinnocks, ERF, Fobel International, Halma, Maxwell Communications, Shelton (Martin), Sterling Industries, Wagon Industrial.

FUTURE DATES

Interims-

Clyde Blowers	June 28
Midland Bank	Aug. 2
Newman Tonks	July 3
Shoprite	July 4

Finals-

Anglo Group	June 27
Boscombe Property	July 4
General Electric	July 3
Robertson Group	July 2
Scottish & Mercantile Inv.	July 3
Southern Water	July 5
Stewart & Wight	July 5
Tiphook	July 5

UK COMPANY NEWS

Substantial loss incurred from problematic sale to management

Saatchi sells US legal consultancy

By Alice Rawsthorn

SAATCHI & SAATCHI, the communications group which is trying to raise capital to reduce its debts, has sold Peterson, a legal consultancy in Chicago, to its management at a significant loss.

Saatchi has paid a total of $116m (£68m) for Peterson since its acquisition in 1987. Yesterday it announced proposals to sell the company – which fell into the red in the first half of the year – for an initial sum of $2m and royalty payments over 10 years of a minimum of $20m.

Under the terms of the agreement Saatchi will also meet $3m of Peterson's liabilities and will forgo $4.9m owed by Peterson in inter-group subvention payments.

Saatchi will retain assets worth $2.9m. Saatchi's share price fell by 1¼p to 83½p on the announcement yesterday.

The disposal forms part of Saatchi's attempts to sell its management consultancy division in order to concentrate on its original communications companies.

The negotiations – which were begun under Saatchi's old management and are continuing under the new team led by Mr Robert Louis-Dreyfus who joined as chief executive in January – have been fraught with problems. Saatchi initially hoped to raise a total of £250m from the disposals and now expects to raise less than £100m.

The sale of Peterson has been particularly difficult given that, under the terms of the original acquisition agreement, its management had the right to veto a change in ownership.

This made it almost impossible for Saatchi to sell the consultancy to an external purchaser.

Peterson's performance has deteriorated dramatically in the past year. It made a pre-tax loss of $6.5m (after exceptional provisions of $6m) in the the six months to March 31, compared to pre-tax profits of $8m in the previous full financial year.

The Peterson management attributed this decline to the uncertainty caused by the proposed sale of their business.

Saatchi decided it was preferable to sell Peterson at a loss rather than run the "significant risk" in terms of management and cash resources of keeping the consultancy within the group.

Saatchi also faced the longer-term threat of Peterson ceasing to be viable when the contracts of the present management expire at the end of this year.

Saatchi hopes to conclude the sales of Gartner, a computer services consultancy, and Litigation Sciences by the end of its financial year in September. It would then be left with MSL in recruitment and CPC in property in its consultancy division. These companies are both suffering from a slump in their markets. Saatchi will probably wait for an improvement before selling them.

Ashley Ashwood

Robert Louis-Dreyfus: continuing to sell the consultancy division

Goodman fails to win control of two Irish dairy co-ops

By Kieran Cooke in Dublin

IT IS not often that events get the better of Mr Larry Goodman, who runs the largest beef processing and exporting operation in Europe and is one of the Irish Republic's richest businessmen.

But at the weekend, Food Industries, the publicly quoted company 70 per cent owned by Mr Goodman, suffered a resounding defeat in its battle to make further inroads into the Irish diary industry.

Food Industries had made an offer, judged to be worth well in excess of I£50m (£46.3m), to merge two co-ops in Ireland's north-east into a new company to be called United Dairies, which would in turn merge with Food Industries' dairy interests.

Food Industries said it wanted to rationalise dairy operations and "change the face of the entire dairy industry in the area". The company offered farmers considerable cash and share benefits. An expensive public relations campaign was launched.

Meanwhile the co-ops concerned announced their own merger plans and, in an increasingly bitter campaign to win the hearts, minds and milk of 4,000 farmer shareholders, portrayed Mr Goodman as big business gobbling up small rural interests.

Food Industries and Mr Goodman were decisively defeated in a weekend vote on the issue.

Mr Goodman has argued that the small Irish co-ops are inefficient and in need of drastic rationalisation if they are to compete with other milk suppliers in Europe.

Food Industries already has control of three Irish co-ops though its access to valuable milk supplies within the EC quota regime remains comparatively small.

Mr Goodman has made no secret of his plans to build Food Industries into one of the main players in European agribusiness after 1992. Privately held companies controlled by Mr Goodman are believed to account for between 40 and 50 per cent of the Irish beef industry. His companies also have a 20 per cent share of the country's grain handling and processing industry.

Mr Goodman described the weekend's events as only a temporary setback. "Milk is mobile, there'll be another day and another way," he said.

Mr Goodman has a 9 per cent holding in Unigate, the UK dairy group, and a 13 per stake in Berisford International, the sugar and commodities group.

NEWS IN BRIEF

BM GROUP has acquired Miller Timber Products from the receivers for £1.75m cash. The business is based in Hetton-le-Hole, Tyne and Wear, and occupies a 15 acre site with 160,000 sq ft of covered space. The freehold to the site is included in the purchase.

FIRST PHILIPPINE Investment Trust: Net asset value per ordinary share was 48.1p at April 30 1990. Pre-tax profit for the period from December 12 to April 30 amounted to £272,791. Earnings per share were 0.35p after tax of £95,477.

NEWMAN TONKS Group announced three transactions. It has paid £350,000 for the Metamec range of electronic and electro-mechanical time switches; paid £50,000 for 49 per cent of a new distribution company in Thailand; and sold its 75 per cent holding in Legge Zambia for £186,000.

ROCKWOOD HOLDINGS: Higgs Air Agency, international distributor of UK daily newspapers, has reverted back to the management of its original owners following the completion of a management buy-out from Rockwood.

TULLOW OIL says acceptances had been received in respect of 68.8 per cent of the recent rights offer of 31.34m ordinary shares.

WORTH INVESTMENT Trust has conditionally agreed to acquire half of the enlarged issued share capital of Opalbrown, a marketing consultancy company. The subscription price is £449,026, to be satisfied by 707,128 new ordinary Worth at 63.5p per share.

UK COMPANY NEWS

Whitecroft up 8% in difficult trading

By Andrew Hill

WHITECROFT, the industrial holding company, has again warned about the effect of the deteriorating UK economy, despite managing to increase pre-tax profits in 1989-90 by nearly 8 per cent.

Mr Tom Weatherby, chairman, pointed out that the economy had continued its downward trend, with high interest rates affecting some of Whitecroft's markets, which include property, building and lighting products, and specialist textiles. Mr Weatherby was similarly cautious at halfway.

However, profits in the year to March 31 rose from £15.37m to £16.55m before tax and earnings per share were up to 32.4p (31.5p). The final dividend is 10.4p, making 15p (13.8p).

Mr Peter Goold, deputy chairman and chief executive, said yesterday: "We are doing all our planning on the basis that today's interest rates will apply right through the financial year. There's no doubt that it's dragging down the performance in a number of areas – on the other hand any reduction in interest rates would give us quite a boost."

Mr Goold added that the specialist nature of the textiles business, the north of England bias of the housebuilding division and the long order period for lighting and some of the group's building products offered a measure of protection.

Operating profits rose 16 per cent but were held back at the pre-tax line by an interest charge of £873,000 compared with £505,000 receivable in the previous year.

Whitecroft's building products division suffered during the year, making £2.37m before interest and tax. That compared with £4.1m in 1988-89 before the group sold its builders' merchants operation. Turnover was down from £42.6m to £36.1m.

The textiles division increased profits to £2.67m (£1.51m) on sales of £36.6m (£31.2m), helped by a very strong performance from Bandfabriek Hevatex, the Netherlands manufacturing company bought last year.

Lighting made £6.24m (£4.29m) on turnover of £46.6m (£40.1m); and property development produced profits of £6.94m (£5.6m) on sales of £22.3m (£23.3m).

Overall group turnover rose from £137.14m to £141.66m.

● COMMENT

The last time Whitecroft announced results which were not accompanied by one of Mr Weatherby's cautionary statements was in June 1988. In the two years since then, profits have increased steadily. But it would not be fair to accuse the chairman of crying wolf: it has taken a while for the economic downturn to erode the group's long order books for lighting and building products, while residential and commercial property in the north of England has retained a buoyancy which would be the envy of other developers. Even now it could take time to drain those orders. Being at the end of the cycle at least means that Whitecroft has had time to prepare for a downturn, but gearing has increased to about 45 per cent and this could be the year when profits slow to a halt at £16.5m or £17m. The shares have had a strong run recently, and rose 1p yesterday to 288p. A disaster is unlikely under this prudent management, but Whitecroft stock now looks fairly valued on a prospective multiple approaching 9.

Tom Weatherby (centre) and Peter Goold (right), accompanied by Graham M'Cardell, the group's finance director.

Fresh acquisitions give impetus as American Business nears £8.5m

ACQUISITIONS again made their mark at USM-quoted American Business Systems, where record figures were achieved in the year ended March 31 1990.

With the help of the seven businesses acquired, turnover expanded 68 per cent to £88.75m (£52.84m) while pre-tax profits moved ahead 48 per cent to £8.46m (£5.7m).

Through its Danka Industries subsidiary, ABS distributes office equipment and supplies in North America. Said to be the fourth largest independent distributor in the US, Danka has 60 branches spread across 13 states in the south east, mid-west, and north east.

Mr Mark Vaughan-Lee, chairman, said most of the companies bought in the year had been integrated into the *Danka organisation and* were making significant revenue and profit contributions. Since the year-end a further four businesses had been purchased.

He said that over the past three years sales had grown from $30m to an annualised $170m (£98m), Danka's profits had expanded from $3m to $13.5m, and 13 acquisitions had been made.

Earnings rose to 20.7p (13.6p) and the dividend is raised from 2p to 2.4p with a final of 1.6p.

from $30m to an annualised $170m, Danka's profits had expanded from $3m to $13.5m, and 13 acquisitions had been made.

Earnings in the past year rose to 20.7p (13.6p) and the dividend is raised from 2p to 2.4p with a final of 1.6p.

Cauldon buys J&T arm for £650,000

Cauldon Group, through its Maclog wholly-owned subsidiary, has acquired Delingpole Fasteners, a division of J&T Fasteners, for £650,000 cash.

At the same time, Cauldon is raising £224,000 by way of a placing of 2.14m new Cauldon ordinary 5p shares at 10.5p with institutional investors.

The proceeds of the placing will be used to reduce bank borrowings.

NEWS DIGEST

Allen rises 22% in first USM year

MR DONALD Greenhalgh, chairman and managing director of Allen, said yesterday that the 53 weeks to April 1 had "proved to be a successful first year as a public company."

USM-quoted Allen, with divisions in contracting, plant hire, housebuilding, and property development and investment, reported a 22 per cent rise in pre-tax profits to £4.85m, against £3.97m in the 52 weeks to March 26 1989.

Turnover at this Wigan-based company advanced 43 per cent to £61.94m (£43.41m), with 34 per cent of the operating profits total coming from contracting; 28 per cent from plant hire; 31 per cent from housebuilding; and 7 per cent from property development and investment.

Earnings amounted to 15.42p (14.45p) per share after a tax charge of 30.7 per cent (14.45 per cent). A recommended final *dividend of 3.2p makes a total* of 4.8p for the year. This represents an increase of 14 per cent on the notional dividend indicated in the prospectus.

The company said it intended to maintain a prudent approach to borrowings – gearing at the year-end was 27.7 per cent (14.8 per cent) – while interest charges were covered 13.8 times (33.57 times) by earnings.

Unleaded petrol boosts Micrelec

The campaign to include unleaded petrol in most filling stations has led to an active *year for Micrelec Group,* whose main business is the supply of automation equipment to petrol retailers.

Turnover in the year ended March 31 1990 expanded by 60 per cent, from £11.24m to £17.98m; however, the increase in profit was restricted to 28 per cent, the pre-tax balance working through at £2.1m, against £1.65m.

Mr PW Beck, chairman, attributed that to the continuing high development expenditure and a change in the business mix. The latter arose from an increasing proportion of service business and from higher sales of bought-in equipment as part of the aim to sell complete systems in addition to the group's own made products.

Mr Beck said the group's aim was to offer a complete solution to the effective management of petroleum marketing, from distribution terminal to end-user, described as "tank to bank".

Earnings came to 12.07p (9.87p) and the final dividend is 2.8p for a total of 4p (3.3p).

Grainger Trust falls sharply to £2.78m

Grainger Trust, which has interests in property, property *development and hotels,* reported a sharp downturn in profits for the six months to March 31.

At the pre-tax level the fall was from £4.16m to £2.78m, although turnover edged ahead to £15.65m, against £15.2m.

Trading profits showed a marginal decline from £10.51m to £10.44m; investment and other income was £91,000 (£172,000) but after deducting property expenses of £3.37m (£3.16m), management expenses of £636,000 (£632,000) and an increase of over £1.5m in interest payable to £8.87m (£7.24m) together with tax of £1.02m (£1.46m), earnings per share emerged at 8.8p (13.6p). The interim dividend is held at 1.2p.

Cape expands in West Germany

Cape, the fire protection and building products subsidiary of Charter Consolidated, has acquired Siborit, a West German manufacturer of high temperature-resistant industrial products for the steel and aluminium industries.

The consideration is DM6.78m (£2.36m) and Cape said the acquisition would provide it with a modern manufacturing plant "in the industrial heartland of Europe". *It is* Cape's first acquisition of a manufacturing company in West Germany and Mr Jeffrey Herbert, chief executive of Charter, said it would position Cape as a low-cost producer on the Continent.

New look Wellman makes £3.3m

In the year ended March 31 1990, Wellman, which makes industrial furnaces, ovens and processed plant, produced a pre-tax profit of £3.33m on turnover of £35.01m.

This included Cadogan Numerical Controls, acquired in November, and took account of businesses sold. In the previous year reported group profit was £2.87m on sales of £37.2m.

The trading profit of continuing businesses at £2.9m showed a 17 per cent increase.

Wellman Process and Wellman Bibby almost doubled profits, the directors said, and overseas subsidiaries and the foundries made useful increases. But Wellman Furnaces suffered a lower profit after further revenue spending to strengthen its technical base and widen markets.

Cadogan's contribution was lower than expected because of *a strike at BAe; after the settle*ment activity levels increased significantly.

The order books are similar to that of last year and the directors said they were encouraged by current trading levels.

Diluted earnings in the year were 6.3p (6p) per share and the proposed final dividend is 1.35p (1p) for a total of 2.1p (1p).

Murray Enterprise net assets lower

Murray Enterprise reported a 15 per cent fall in net asset value per share from 98.7p at September 30 1989, to 83.6p six months later.

Directors said this result was disappointing, but they believed that prospects for a number of unquoted investments were now improving as they became more established in their markets.

For the six months to end-*March, this investment trust* incurred a loss of £66,009. Directors said the unquoted portfolio valuation had been reviewed in the light of present market conditions and as a result, provisions had been made in respect of certain investments, particularly in the US.

In accordance with the new investment policy, significant new changes had been made in the listed investment portfolio to reduce exposure to technology stocks. Since March 31, the company had focused on investment in European equities.

Cautious Latham dips to £2.43m

James Latham, the timber importer, merchant and veneer panelmanufacturer, suffered a fall from £2.99m to £2.43m in pre-tax profits in the year to March 31. However, the proposed final dividend is lifted from 6.75p to 7p, to make a total of 11.25p, against 10.75p last time.

Turnover was £4.33m ahead at £63.2m, though trading profit turned out lower at £4.26m (£4.61m). Interest payable rose to £1.14m (£913,000). Earnings were down at 29.13p (38.79p) per share.

Mr Christopher Latham, chairman, said: "We have experienced slow trading conditions *during the spring and some of* the sectors we serve are working under severe economic constraints. Thus it is very difficult to predict trading results this year."

Danae Investment NAV unchanged

Danae Investment Trust had an unchanged net asset value of 52.46p per income share at May 31 1990, while the figure per capital share was 58.26p against 62.61p a year earlier.

A second interim dividend of 4.575p (4.1215p) is declared for a 7.95p (7.125p) total, payable from increased earnings per share of 7.97p (7.29p).

Gross revenue was £855,126 (£774,563) and net revenue improved from £514,044 to £562,300, after tax of £195,564 (£161,386).

Omnitech tumbles £0.74m into loss

Omnitech, the USM-quoted designer of packaging machines and systems, fell £740,000 into the red in the half year to January 31 after writing off £508,000 development costs.

Profits in the corresponding period were £4,000.

Turnover increased from £140,000 to £312,000 and the company anticipated that sales in the second half would double over those achieved in the first.

A firm order base would be established, the chairman said, to enable Omnitech to significantly improve its results in the next financial year.

The operating loss amounted to £49,000 (£28,000 profit) from which net interest payable took £183,000 (£14,000). Losses per 1p share amounted to 3.99p (0.03p earnings).

COMMODITIES AND AGRICULTURE

Brazilian sales clue to gold price fall

By Kenneth Gooding, Mining Correspondent, in Venice

BRAZIL HAS contributed to the recent sharp fall in the gold price by selling 137 tonnes of the precious metal in the international market since February.

Meanwhile South Africa, the biggest producer, has been taking action to support the price – but has stopped short of buying gold.

These two important clues to the recent behaviour of the gold price, which has slumped by about $70 to $350 a troy ounce since the middle of February, came yesterday at the Financial Times World Gold Conference in Venice.

The unexpected flood of Brazilian gold – starting with 14.8 tonnes in February and followed by 21.1 tonnes in March, 18.4 tonnes in April, 52.2 tonnes in May and 31 tonnes so far in June – reversed the trend for Brazilians to hoard the precious metal as a hedge against rampant inflation.

However, Mr Emilio Garafalo Filho, director of the international reserves operations department at the Banco Central do Brasil, said the change in direction came when, in order to eliminate rampant smuggling, the Brazilian central bank in February started to offer US dollars for gold at the market price. The bank immediately began selling gold on the international market.

Mr Garafalo said that in the past two years Brazilians had hoarded between 200 tonnes and 300 tonnes of gold, not only as a protection against inflation but also because of the uncertainties about what might follow free elections.

After the Color economic plan was launched, Brazilian companies were forced to sell gold to the central bank for dollars in order to gain financial liquidity. He suggested liquidity was now normal and the threat of inflation had not subsided. Consequently Brazilian companies were again starting to hoard gold.

It has been widely mooted in the gold industry that central banks of the two countries most likely to suffer from the low gold price – South Africa and the Soviet Union – have been supporting the price since its recent fall through the psycholigically-important $350 an ounce level.

Mr Chris Stals, governor of the South African Reserve Bank, said after the conference that his country had taken action – but it was restricted to cutting back on gold sales and swaps (the system where central banks swap gold for foreign currencies but promise to buy back the precious metal later). This would have had the effect of cutting off some supply to the gold market. But Mr Stals would not give details.

However, his remarks helped to underpin the London bullion market yesterday. The gold price closed at $353.50 an ounce up $4.75.

Mr Stals pointed out that South Africa's room for manoeuvre was limited because it had very little foreign exchange and had to continue to sell gold to buy foreign exchange to pay its debt.

It was not possible for any central bank to influence the gold price except for a very limited time. His remarks suggest that South Africa did react when the National Commercial Bank of Jeddah recently drove down the gold price by selling large quantities in London for the third time in as many months.

Nearly half the gold mines in South Africa are believed to be unprofitable at present gold prices but Mr Stals said that because the country's imports were falling and its currency outflows were small, it could live with the present gold price even though the metal accounted for about 40 per cent of the country's exports.

South Africa needed a stable currency and had no intention of devaluing the Rand to help the ailing gold industry, in spite of its importance to the economy, he insisted. The gold industry had to solve its own problems by becoming more competitive.

Norway to scrap curb on oil production

By Karen Fossli in Oslo

NORWAY, WESTERN Europe's biggest crude oil producer behind Britain, said yesterday that crude oil production at full capacity is to be allowed from next month following a decision to scrap a near four-year-old self-imposed production restraint.

The policy was designed to help the Organisation of Petroleum Exporting Countries to prop up world crude oil prices. Some 80,000 barrels a day will be added to total Norwegian crude oil production, which is now at about 1.64m b/d.

Norway first implemented a 7.5 per cent production restraint policy in February, 1987 but the centre-right coalition Government reduced it by 2.5 percentage points at the start of this year because of "changed market conditions."

The policy has been "flexible in form," reviewed biannually and continually reinstated. But in recent months the country, which is fighting its highest ever level of unemployment while trying to wean industry off subsidies, has grown impatient with Opec's lack of discipline to stick to its self-imposed production quotas.

Since 1986 Opec's crude oil production has increased by 8m b/d, more than 50 per cent, whereas production outside Opec has largely remained on the same level. This spring there has been considerable over-production by Opec plus an increase in production capacity, Norway said.

However, Mr Eivind Reiten, Norway's Oil Minister, said it should not be anticipated that there will be a future unilateral effort by Norway to prop up oil prices. He said that new efforts would have to be made in concert with other producing countries.

He sought to inform Dr Subroto, secretary general of Opec, by telephone yesterday of his country's policy change.

● British Petroleum's Norwegian unit last Thursday brought on stream a new oil field, Gyda, where production is expected to rise from 20,000 b/d to about 65,000 b/d by the end of this year.

OECD urges Oslo to become less insular on farming policy

By Karen Fossli

NORWAY SHOULD revamp its agricultural policy to become more market-oriented and less insulated, according to a critical report published yesterday by the Organisation for Economic Co-operation and Development.

Mr Gerard Viatte, OECD Director for Food, Agriculture and Fisheries, said that the total price and subsidy assistance to Norway's agricultural sector, in relation to the value of production, is the highest of all OECD countries.

The report argues that Norway's agricultural policy has multiple objectives – among them security of food supplies, equitable farm incomes, regional development, environmental preservation and economic efficiency – which are often difficult to reconcile and says the Government should progressivley cut support to the industry and relax trade barriers.

Assistance, measured by the OECD's calculation of subsidies, known as the net total producer subsidy equivalent (PSE), more than doubled from NKr6.1bn (£720m) to NKr17.2bn between 1979 and 1988.

About half of total subsidies – those supported by high producer prices which are sustained by strict import barriers for most commodities – come from direct payments, including deficiency payments, to shelter domestic production from world markets.

The report adds that the country's trade measures "contribute to the disruption in world markets by reducing import demand and, in conjunction with income support, by expanding supply."

In 1989 Norwegian agricultural subsidies fell by 2 percentage points to 74 per cent compared with a fall of 6 points to 39 per cent in OECD countries overall.

Norway's subsidy level stablised from 1986, when it increased to 76 per cent from a low of 70 per cent in 1979. It still remains in sharp contrast to the OECD average, which fell from 51 per cent to 45 per cent between 1986 and 1988.

The burden on consumers' in the support of agricultural production rose four-fold to nearly NKr9bn, while the tax on consumers more than doubled to 63 per cent by 1988. "These rates are well above the OECD average and the margin between the two has widened appreciably," the report says.

The OECD warns that the evolution of Norway's agricultural policy has not improved the market orientation of domestic farming and achievements have been at the expense of better resource allocation and market efficiency.

Separately, Norway said that at the end of this year it was to publish the findings of a Government-appointed committee on how agricultural policy might be changed.

Market 'critical – but not in crisis'

Kenneth Gooding reports from a generally downbeat conference

FT CONFERENCE

GOLD IN VENICE

RECENT AGGRESSIVE sales out of the Middle East had damaged the gold market said Mr Robert Guy, a director of N. M. Rothschild & Sons, yesterday at the Financial Times World Gold Conference. He said low prices had brought the market to a critical condition – but not yet to crisis.

Mr Guy suggested it was not easy to judge whether the Middle East sales were "the mark of the amateur or of the extremely sophisticated. But wittingly or unwittingly, the marketplace has been abused.

"In the short term this is only of consequence to individual profit and loss accounts but in the longer term the Middle East gold market has damaged itself – its credibility is on the line."

This was particularly surprising, said Mr Guy, given the importance to the world gold market of the Middle East and its long tradition – still maintained – of high physical demand and institutional investment.

Mr Rolf Willi, senior general manager and treasurer, Dresdner Bank, contributed to the generally downbeat views expressed by suggesting that European Community harmonisation would produce a change for the worse as tax rates on gold would be harmonised upwards – not downwards or repealed.

He characterised the tax on gold as "an envy tax" and said European governments would not be concerned if taxes drove gold bullion business out of the Community to, say, Zurich.

Mr Willi also said younger investors did not see investment in gold bullion as at all relevant today and a great deal of promotion would be necessary to get them to change their minds.

Neither could the industry expect any big boost from the opening of Eastern European markets. But it could be expected that, once other forms of investment became available and real incomes started to grow in Eastern Europe, gold "would hold some attractions for investors there."

Mr Lamberto Dini, Director-General, Banca d'Italia, issued a word of caution about suggestions that the Soviet Union, the world's second largest gold producer, should use some of its precious metal to back bond issues to raise foreign currency at very low interest rates. Despite their appeal, the proposals were open to objections he said. It would be very difficult to set the initial price of gold and if it was wrongly priced there would be money supply shocks. Even if the right price was found prices and interest rates around the world would not remain stable, giving rise to international flows of gold and thus to undesirable fluctuations in the Soviet Union's domestic money supply.

Mr Tom Main chief executive, Chamber of Mines of South Africa, said South African gold mine industry faced many difficulties at present but he was sure the country would enter the 21st century as the dominant supplier of the Western world's gold.

Although some mines were threatened by the present low gold price, intense exploration had located about 17,000 tonnes of gold in the Witwatersrand region. But he added a warning that: "Given the lacklustre gold price, a good measure of political uncertainty, double digit inflation and the extended lead times involved in bringing new South African gold mines into production, such new gold mine developments are unlikely to be given the go ahead until the overall situation is clarified."

Mr Hugh Organ managing director, Western Mining Corporation, said recent Australian Government predictions about the country's output were "unduly optimistic."

The Australian Bureau of Agricultural and Resource Economies had forecast gold output in 1990 at 220 tonnes, in 1991 at 180 tonnes, in 1992 at 160 tonnes and at 150 tonnes a year thereafter.

He said that without tax reform, a more rapid decline in Australian production should be expected.

Mr Ned Goodman, chairman of Corona Corporation, predicted that North American gold output was likely to fall by 11 per cent by 1995. He said the North American industry's average full cost of producing gold was now about US$334 an ounce, which did not leave enough margin at present market prices to justify new production.

He pointed out, however, that averages were misleading and that some North American mines had full costs of only $220 an ounce while others faced costs of more than $510 an ounce.

Mr Goodman suggested that falling gold output and the world's need for extra money supply to fund the expansion of Eastern Europe would push up the gold price again.

Mr Jeffrey Nichols, managing director, American Precious Metals Advisors, went even further. In the one speech so far offering delegates a cheerful view of the gold market he suggested there would be an historic, record-breaking bull market in gold in the 1990s.

He said more people and corporations had access to gold investments and jewellery purchases. Meanwhile gold dealing, fabricating and mining had become more competitive, decentralised and less subject to government interference and control.

More companies were serving as distributors, retailers and intermediaries making it easier for investors to buy and hold gold in a growing number of geographic markets.

Consequently "in contrast to the glut of gold which characterised the 1980s, the current decade will be an era of insufficient supplies relative to prospective demand and a period in which gold ultimately moves to new historic highs."

Swiss subsidies under attack

By William Dullforce in Geneva

SWITZERLAND'S FAILURE to amend its agricultural policy and to pare back its support for farmers is severely criticised in a study by the Organisation for Economic Co-operation and Development published today.

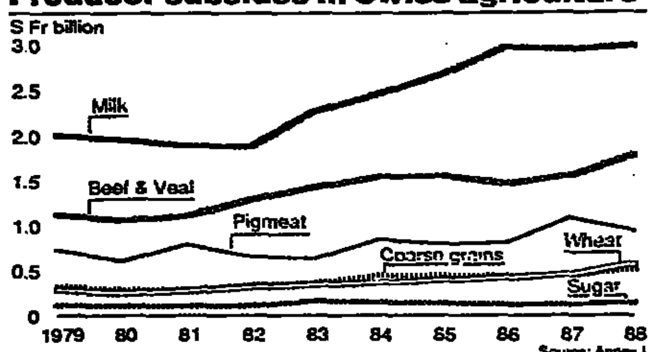
Assistance to some 300,000 full– and part-time farmers remains among the highest in the 24-nation OECD area. Producer subsidy equivalents (PSEs), the OECD's measure for transfers to farmers from the pockets of consumers and taxpayers, rose by 64 per cent from 1979 to just below SFr7.2bn ($5bn) in 1988.

The transfers have been increased with insufficient regard to the economic value of what the farmers are producing; the farm sector has attracted resources that could have been more efficiently used elsewhere in the economy; and the system has led to the retention of uncompetitive structures in some food-processing and marketing sectors, the OECD says.

About 45 per cent of Switzerland's 4.13m hectares lies at 1,200 metres or more above sea level. The area used for agriculture is some 1.08m hectares divided among 119,700 farms, of which 19,000 measure less than half a hectares each and, according to the OECD, are best described as "leisure farms." About 40 per cent of the farms are located in mountain areas.

The OECD study sees a fundamental conflict between the Swiss desire to assure food supplies at a reasonable cost to consumers and taxpayers, on the one hand, and, on the other hand, the desire to ensure food security, protect the countryside, maintain family-owned farms and keep people in less favoured regions.

Producer subsides in Swiss agriculture



This conflict is accentuated by a further contradiction between the principle of guaranteeing prices, in order to maintain parity between the incomes of farmers and other workers, and the principle of matching output to the available domestic and international outlets, the OECD says.

However, perhaps the sharpest charge against the Swiss is their failure to adopt the principles for the reform of farm policies agreed by the OECD ministers. The principles called for greater influence for market signals; progressive reduction in farm supports; and a switch from guaranteed prices towards direct income supports.

Instead, producer prices have been kept at levels three to four times the world prices of comparable products. In the 1979-88 period output of all the crops studied increased and a new crop – soyabeans – was encouraged. Direct payments have increased, particularly to the mountain farmers, but are made on the basis of a small farm criterion and do not contribute enough to structural adjustment.

Officials in the public economy department in Berne complained that the OECD report had not taken sufficient account of the varied tasks fulfilled by Swiss farming. It had not given enough weight to the efforts already deployed to adjust supply to demand.

The OECD noted that farm policy had become the subject of intensive discussion in Switzerland – not least because of the talks on the reform of world farm trade in the Uruguay Round of the General Agreement on Tariffs and Trade – but, it commented, the process of reducing farm supports had not yet begun.

Banana strike

ABOUT 8,500 workers at the US-owned Tela Railroad Company, Honduras' largest banana producer and shipper, declared an indefinite strike yesterday in support of a demand for a 60 per cent wage rise, reports Reuters from Tegucigalpa.

"We will sustain this strike until our demands are met," said union leader Mr Nicolas Rivera.

WORLD COMMODITIES PRICES

MARKET REPORT

COPPER prices eased on the LME yesterday under light pressure from further liquidation and an easier trend on Comex, where warehouse stocks rose by 403 short tons (2,000 lbs each) to 17,661. The premium for cash metal over three-month narrowed to £20 a tonne from £25.50 on Friday. A lack of progress at Asarco's labour contract negotiations inhibited fresh selling, traders said. LME warehouse stocks due for release this morning are expected to show little on balance change. Recent talk of substantial arrivals now appears to have been groundless, traders said. Any rallies to the $2,500-a-tonne level are expected to be met by general selling, analysts said. Nickel drifted lower in the afternoon after three-month prices hit an eight-week high of $8,895 a tonne on the pre-market on nervous short covering induced by concern over supply from Eramet-SLN's facilities in New Caledonia. After the market closed Eramet-SLN declared force majeure because of a strike. In New York cotton prices were well ahead at midsession, boosted by hot and dry weather in Texas, steady consumption figures and a lack of delivery notices against the July contract.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$13.80-3.95w	-0.60
Brent Blend	$16.17-6.23w	+0.75
W.T.I. (1 pm est)	$17.43-7.45w	-0.30
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$219-221	+2
Gas Oil	$147-149	+0.5
Heavy Fuel Oil	$62-64	
Naphtha	$141-143	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$353.50	+4.75
Silver (per troy oz)♣	485c	+2.00
Platinum (per troy oz)	$479.00	+2.55
Palladium (per troy oz)	$114.25	+0.50
Aluminium (free market)	$1535	-20
Copper (US Producer)	117.25c	-2.75
Lead (US Producer)	45c	
Nickel (free market)	410c	+5
Tin (Kuala Lumpur market)	16.45r	
Tin (New York)	289c	
Zinc (US Prime Western)	87c	
Cattle (live weight)†	105.04p	-2.22*
Sheep (dead weight)†	148.28p	-11.7*
Pigs (live weight)†	103.53p	-5.55*
London daily sugar (raw)	$307.0t	-4.4
London daily sugar (white)	$386t	+1.0
Tate and Lyle export price	£289.5	-3.5
Barley (English feed)	£114.0w	-0.5
Maize (US No. 3 yellow)	£158	+12
Wheat (US Dark Northern)	£120.0	-4.5
Rubber (Aug)♥	58.00p	+0.5
Rubber (Sep)♥	56.50p	+1.0
Rubber (KL RSS No 1 Jul)	233.5m	+0.5
Coconut oil (Philippines)§	$320.0t	
Palm Oil (Malaysian)§	$275.0q	
Copra (Philippines)§	$215w	-5.0
Soyabeans (US)	£157.0	-1.5
Cotton "A" index	90.10c	+0.4
Wooltops (64s Super)	482p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Jul. t-Jul/Aug. u-Oct/Dec v-Jun/Jul. w-Aug z-Aug/Sep y-Sep. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX			($ per tonne)
Raw	Close	Previous	High/Low
Aug	281.00	279.80	281.00 276.00
Oct	278.00	278.60	278.00 272.40
Mar	268.40	267.00	268.60 262.40
May	267.60	266.80	267.60 264.40
Oct	259.80	263.00	259.80 259.80
White	Close	Previous	High/Low
Aug	385.0	380.0	390.0 378.0
Oct	359.0	357.0	367.0 354.5
Dec	354.0	352.0	352.0 350.5
Mar	348.0	345.5	345.0 344.0

Turnover: Raw 1326 (2498)lots of 50 tonnes. White 806 (1532)
Paris- White (FFr per tonne): Aug 2140, Oct 2024 Dec 1990, Mar 1965, May 1960

CRUDE OIL – IPE			$/barrel
	Latest	Previous	High/Low
Aug	16.20	16.17	16.35 16.05
Sep	16.54	16.57	16.64 16.40
Oct	16.75	16.85	16.92 16.85
Nov	16.97		17.01
IPE Index	15.97	15.76	

Turnover: 8652 (12968)

GAS OIL – IPE			$/tonne
	Latest	Previous	High/Low
Jul	145.75	145.50	146.00 144.75
Aug	148.25	146.00	148.75 145.50
Sep	148.25	148.00	148.75 148.00
Oct	151.75	151.25	152.00 151.50
Nov	153.75	153.75	154.00 153.50
Dec	155.50	155.25	156.00 155.50
Feb	152.00	148.00	152.00 151.50

Turnover 3773 (5629)lots of 100 tonnes

TEA
There were 27,469 packages on offer this week, including 5,600 offshore, reports the Tea Brokers' Association. There was strong general demand. Bright and good medium Africans sold readily at fully firm to dearer rates, often advancing by 3p to 8p a kilo, with pekoe dusts a strong feature. Others proved irregular while plain descriptions were mainly neglected. Ceylons continued to attract good supported at firm to dearer rates. Offshore teas met rather more enquiry.
Quotations: quality 230p (230p), medium 118p (116p), low medium 77p (77p).

COCOA – London FOX			£/tonne
	Close	Previous	High/Low
Jul	732	734	734 718
Sep	758	758	761 744
Dec	785	790	790 773
Mar	814	822	817 803
May	832	845	838 825
Jul	850	863	860 845
Sep	872	884	873 863

Turnover: 10864 (10453) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jun 22 968.5 (1000.99) 10 day average for Jun 25 991.08 (994.05)

COFFEE – London FOX			£/tonne
	Close	Previous	High/Low
Jul	568	564	568 560
Sep	586	580	587 582
Nov	606	600	607 602
Jan	623	618	623 620
Mar	637	635	642 638
May	654	655	658 655

turnover: 1902 (6094) lots of 5 tonnes
ICO indicator prices (US cents per pound) for June 22: Comp. daily 67.40 (68.59). 15 day average 70.61 (70.93)

POTATOES – BFE			£/tonne
	Close	Previous	High/Low
Nov	186.0	190.0	187.0
Apr	116.5	126.5	123.5 115.0
May	130.0	140.0	130.0 129.0

Turnover 332 (140) lots of 40 tonnes.

SOYABEAN MEAL – BFE			£/tonne
	Close	Previous	High/Low
Oct	115.00	116.50	115.00

Turnover 25 (35) lots of 20 tonnes.

FREIGHT FUTURES – BFE			$10/index point
	Close	Previous	High/Low
Jul	1034	1015	1045 1020
Oct	1115	1085	1120 1085
Jan	1141	1108	1140 1125
Apr	1146	1115	1145 1115
BFI	1148	1152	

Turnover 280 (292)

GRAINS – BFE			£/tonne
Wheat	Close	Previous	High/Low
Nov	115.80	116.05	115.95 115.80
Jan	119.80	120.00	119.85 119.80
Barley	Close	Previous	High/Low
Sep	110.75	110.75	110.75
Nov	115.15	115.10	115.15 15.05
Mar	121.40	121.30	121.35
May	122.60	122.60	122.50

Turnover: Wheat 40 (147). Barley 44 (36).
Turnover lots of 100 tonnes.

PIGS – BFE			(Cash Settlement) p/kg
	Close	Previous	High/Low
Jun	138.0		138.0

Turnover 10 (3) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 17,336 lots
Cash	1529-32	1552-5	1536/1535	1535-6		
3 months	1554-5	1572-4	1570/1552	1562-3	1553-4	43,729 lots
Copper, Grade A (£ per tonne)						Total daily turnover 11,818 lots
Cash	1460-2	1481-3	1470/1464	1467-8		
3 months	1440-2	1456-7	1451/1441	1445-6	1442.5-3	78,555 lots
Lead (£ per tonne)						Total daily turnover 1,731 lots
Cash	493-5	502-4	501/500	499.5-500		
3 months	495-6	506-7	503/495	500-500.5	495-7	9,714 lots
Nickel ($ per tonne)						Total daily turnover 3,036 lots
Cash	8815-40	8775-800	8900	8890-910		
3 months	8800-25	8750-75	8900/8825	8825-50	8800-25	8,320 lots
Tin ($ per tonne)						Total daily turnover 333 lots
Cash	6155-65	6160-70	6160	6155-60		
3 months	6275-80	6275-80	6285/6270	6270-5	6285-80	5,463 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 4,754 lots
Cash	1730-5	1715-20	1740/1736	1738-40		
3 months	1635-6	1643-4	1641/1628	1640-2	1630-3	19,164 lots

LME Closing £/$ rate:
SPOT: 1.7305 3 months: 1.7037 6 months: 1.6811 9 months: 1.6603

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	353¼-353¾	204-204½
Opening	350¼-350¾	203-203½
Morning fix	351.40	203.121
Afternoon fix	353.40	204.195
Day's high	353¾-354¼	
Day's low	350¼-350¾	

Coins	$ price	£ equivalent
Mapleleaf	361-366	208½-211½
Britannia	361-366	208½-211½
US Eagle	361-366	208½-211½
Angel	361-366	208½-211½
Krugerrand	353-356	204-206
New Sov.	82-84	47¼-48¾
Old Sov.	82-84	47¼-48¾
Noble Plat	488.55-496.30	282.15-286.60

Silver fix	p/fine oz	US cts equiv
Spot	279.60	484.25
3 months	289.90	494.25
6 months	300.10	504.30
12 months	320.40	526.00

TRADED OPTIONS

	Calls		Puts	
Aluminium (99.7%) Strike price $ tonne	July	Sep	July	Sep
1450	89	111	1	9
1550	11	45	22	41
1650	1	12	110	106
Copper (Grade A)	Calls		Puts	
2400	125	114	1	64
2500	41	64	16	102
2600	5	32	70	168
Coffee	Sep	Nov	Sep	Nov
550	51	82	15	26
600	24	54	38	29
650	10	36	74	80
Cocoa	Sep	Dec	Sep	Dec
700	67	84	9	49
800	35	60	27	75
850	16	44	15	109
Brent Crude	Aug	Sep	Aug	Sep
1600	48		50	
1650				
1700			7	

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Jun	354.2	350.4	355.0	353.7
Aug	356.0	352.8	357.1	355.9
Oct	360.8	357.2	361.3	360.5
Dec	365.2	361.6	365.8	364.5
Feb	369.7	366.1	370.2	369.3
Apr	374.5	370.5	374.5	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Jul	484.0	479.0	486.0	483.0
Oct	490.0	484.7	492.0	489.0
Jan	496.4	490.0	498.0	495.0
Apr	502.0	495.0	502.0	500.8

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Jul	483.0	482.0	485.5	483.0
Sep	491.5	489.9	493.9	491.0
Dec	503.0	501.0	505.0	502.5
Mar	513.9	511.7	514.5	513.5
May	521.5	519.0	521.5	520.5

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jun	109.60	112.35	111.05	109.50
Jul	108.90	111.20	110.60	108.70
Aug	107.90	110.50	109.60	108.20
Sep	107.40	109.10	109.00	107.10
Oct	108.20	107.80	0	0
Nov	105.10	106.60	106.20	106.20
Dec	103.90	105.30	105.05	104.00
Jan	102.65	104.25	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Aug	17.39	17.46	17.57	17.21
Sep	17.95	17.99	18.08	17.78
Oct	18.35	18.42	18.45	18.25
Nov	18.70	18.75	18.70	18.56
Dec	18.95	19.02	19.00	18.85
Jan	19.10	19.20	19.17	19.01
Feb	19.24	19.33	19.24	19.20
Mar	19.25	19.43	19.25	0

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Jul	4870	4866	4890	4830
Aug	4900	4918	4925	4865
Sep	5025	5058	5050	5000
Nov	5270	5294	5290	5245
Jan	5415	5449	5460	5400
Feb	5400	5414	5416	5375
Mar	5230	5239	5235	5220
Apr	5065	5079	5090	5065

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Jul	1180	1172	1180	1162
Sep	1201	1194	1205	1178
Dec	1235	1236	1241	1219
Mar	1263	1268	1265	1253

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	85.75	85.65	86.20	85.50
Sep	88.50	88.10	88.80	88.15
Dec	91.50	91.20	92.00	91.40
Mar	94.50	94.30	94.70	94.10
May	96.40	96.30	0	0
Jul	98.25	98.50	0	98.50
Sep	100.25	100.50	101.50	100.50

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	12.52	12.49	12.57	12.30
Oct	12.43	12.34	12.46	12.22
Mar	12.08	12.00	12.09	11.95
May	12.06	11.97	12.07	11.95
Jul	12.04	11.94	12.04	11.98
Oct	11.94	11.80	11.94	11.84

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Jul	84.40	82.50	84.55	83.50
Oct	78.35	77.60	78.55	78.06
Dec	74.55	73.59	74.79	74.10
Mar	75.25	74.47	75.30	74.78
Oct	70.20	69.49	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	183.50	183.90	184.80	182.80
Sep	171.50	173.60	173.50	171.00
Nov	166.50	168.50	169.50	166.40
Jan	165.00	166.00	166.00	165.00
May	166.00	165.60	0	0
Jul	165.50	165.60	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)				
	Jun 25	Jun 22	mnth ago	yr ago
	1829.8	1834.1	1929.2	2023.2

DOW JONES (Base: Dec. 31 1974 = 100)				
	Jun 22	Jun 21	mnth ago	yr ago
Spot	130.86	131.32	135.81	133.65
Futures	130.66	131.07	133.84	132.65

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Jul	612/0	599/4	615/0	597/4
Aug	620/0	605/4	623/0	604/0
Sep	625/4	610/0	628/0	609/0
Nov	635/0	619/0	638/4	617/4
Jan	647/0	629/6	649/0	629/4
Mar	656/4	642/0	659/0	641/4
May	668/4	651/0	668/4	650/0
Jul	674/0	656/0	675/0	656/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Jul	24.38	24.00	24.42	23.87
Aug	24.12	23.86	24.22	23.75
Sep	24.02	23.76	24.06	23.66
Oct	23.85	23.61	23.95	23.50
Dec	23.70	23.53	23.60	23.37
Jan	23.55	23.37	23.55	23.23
Mar	23.30	23.15	23.35	23.20
May	23.10	22.96	23.15	23.10

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Jul	176.9	173.9	177.0	173.2
Aug	178.3	175.4	178.5	174.9
Sep	180.2	176.8	180.4	176.7
Oct	182.3	179.0	182.5	178.8
Dec	185.8	182.2	186.5	181.7
Jan	187.5	183.2	187.5	185.5
Mar	190.0	186.5	190.0	187.0
May	191.0	188.5	191.0	187.0
Jul	193.0	189.7	193.0	189.0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Jul	286/6	282/0	288/0	281/0
Sep	284/6	280/0	286/4	278/4
Dec	285/0	277/6	285/2	277/2
Mar	291/0	284/0	291/6	283/0
May	296/0	287/6	296/0	287/0
Jul	297/4	289/6	297/6	290/0
Sep	282/0	277/2	282/0	276/4
Dec	268/0	265/4	268/4	264/0

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Jul	333/2	333/6	335/4	332/0
Sep	336/2	336/6	338/6	335/2
Dec	351/0	350/4	352/6	349/0
Mar	356/0	356/2	359/0	355/0
May	350/0	354/2	356/0	350/0
Jul	347/0	349/0	0	0

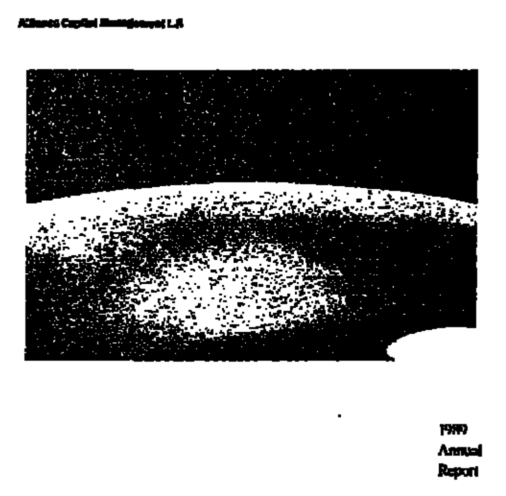
LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Aug	73.10	73.27	73.37	72.95
Oct	74.87	74.87	75.05	74.75
Dec	74.75	74.85	74.95	74.67
Feb	74.60	74.65	74.75	74.60
Apr	75.57	75.70	75.70	75.55
Jun	72.72	72.77	72.95	72.72

LIVE HOGS 30,000 lb; cents/lbs				
	Close	Previous	High/Low	
Jul	59.87	59.45	59.97	59.20
Aug	58.55	57.55	58.60	57.85
Oct	52.15	51.47	52.20	51.35
Dec	51.22	50.47	51.30	50.30
Feb	48.70	48.25	48.75	48.07
Apr	45.80	45.70	45.90	45.45
Jun	49.10	48.90	49.30	49.10
Jul	49.07	49.07	0	48.45

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Jul	57.40	59.40	57.40	57.40
Aug	55.67	57.67	55.67	55.67
Feb	54.85	55.17	55.90	53.67
Mar	54.60	55.00	55.30	53.60
May	55.95	55.50	55.95	55.80

North American Companies: # Annual Report Update

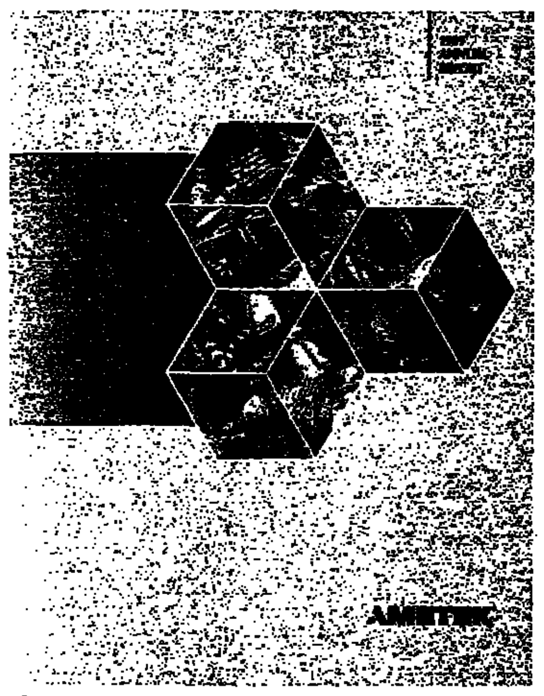
Part 1 of two-page series appearing June 26th and 27th



1

Alliance Capital

Alliance Capital Management L.P. is a registered investment adviser, providing investment management services to institutions—pension funds, endowments, and foreign financial institutions—and to individual investors through a broad line of mutual funds and cash management accounts. Client assets under management exceed $43 billion.



2

AMETEK (AME)

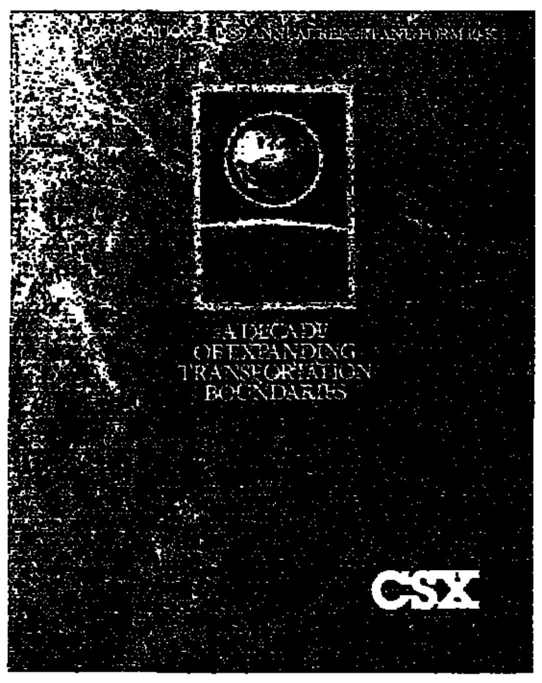
AMETEK recorded strong growth last year as it rebuilt its revenue base after spinning off one-third of its business at the end of 1988. In 1989 it increased its aircraft instrument business 200%, added 30% to electric motor manufacturing capacity, while export sales, especially its drinking water filter systems, were up more than 20%.

Sales for the year gained 13% to $588 million, with another +15% forecast for 1990 when the bottom line will begin to benefit from this growth.

3

Bell Atlantic

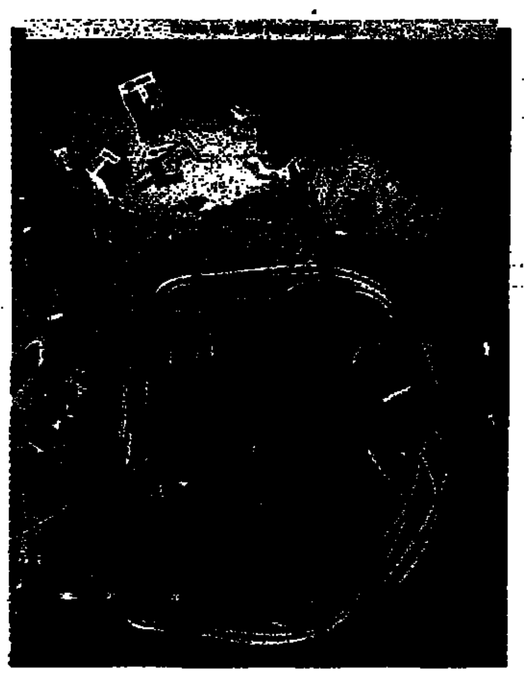
Bell Atlantic is a leading provider of voice and data applications, mobile communications, computer maintenance services, and equipment leasing and financing. It is one of the 50 largest corporations in the United States. In 1989, Bell Atlantic generated $11.45 billion in revenues and $3.9 billion in cash from operations. Earnings for 1989 were $1.07 billion on an asset base of $26.2 billion.



4

CSX

CSX Corporation, headquartered in Richmond, Va., is an international transportation company that offers a variety of rail, container-shipping, intermodal, trucking and barge services. The 1990 Annual Report of the company traces its 10-year history and looks to its exciting future.



5

Echlin

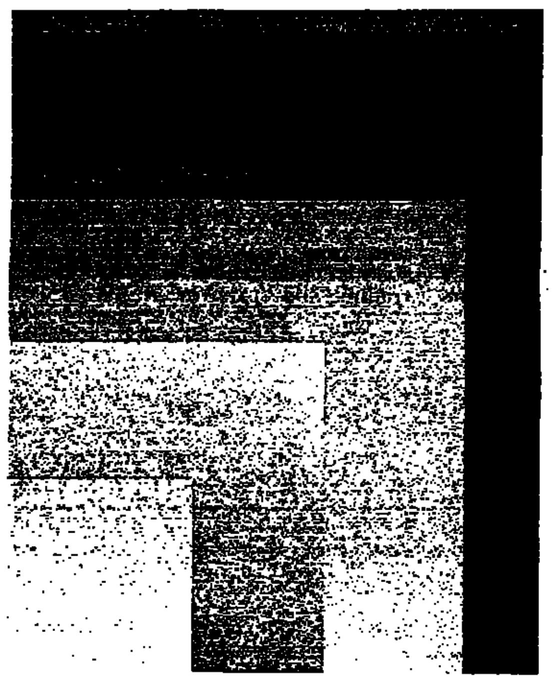
A worldwide manufacturer and distributor of quality parts used in motor vehicle engine, brake, steering/suspension, and power transmission systems.

European businesses include Quinton Hazell, Lipe, and Grau.

Sales have grown 19% per year (compounded) over 30 years, and totaled $1.5 billion in 1989 (12% were in Europe).

Total return to investors has grown 17% per year (compounded) since 1959.

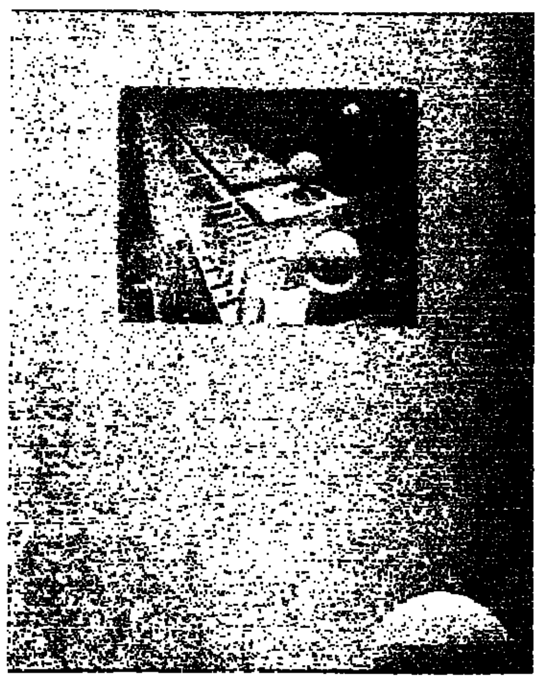
Traded on the New York and International Stock Exchanges (symbol: ECH).



6

ENGELHARD

Engelhard is entering the new decade with a sharpened focus driven by key objectives and strategies which form Engelhard's "Agenda for the '90s." This report takes a closer look at the strategies the Company plans to pursue, the substantial opportunities in its core businesses over the next 10 years and the financial principles which provide a framework for decision making.

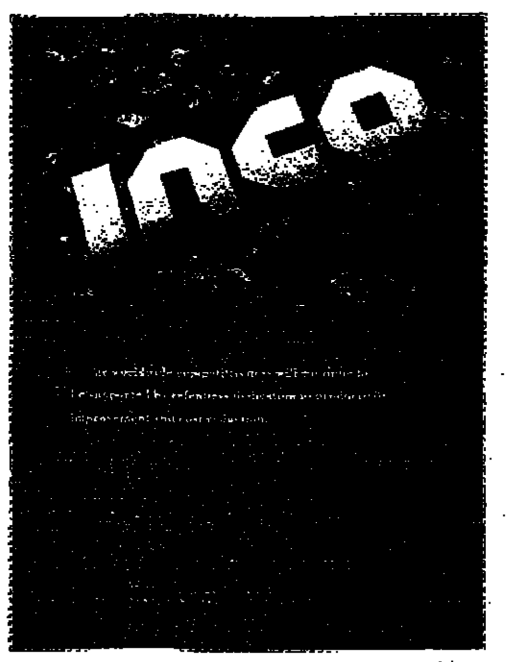


7

Federal-Mogul Corporation

Federal-Mogul Corporation, headquartered in Southfield, Michigan, is a manufacturer and worldwide distributor of products ranging from precision parts for the transportation, farm equipment, construction and manufacturing industries to aerospace and electronic components. Shares of this billion-dollar corporation are traded on the New York and Pacific Stock Exchanges.

Stock Exchange: NYSE (FMO)



8

Inco Limited

Inco is one of the world's premier mining and metals companies. It is the leading producer of nickel, supplying about one-third of free market demand. It is also a major producer of high-nickel and other alloys, and manufactures high-performance alloy components for aerospace and other demanding industrial applications. In addition, it is an important producer of copper and cobalt, and is increasing its participation in the production of gold and other precious metals. 1989 net sales were U.S. $3.9 billion. Net earnings were U.S. $753 million.

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LONDON STOCK EXCHANGE

Footsie edges again towards 2,400

A DETERMINEDLY resilient UK stock market rebounded from early losses and came close to regaining the FT-SE 2,400 mark yesterday as equities began to respond to a more favourable showing by the Conservative Government in the latest public opinion polls. But the final gain of 20 Footsie points contrasted with dismal turnover in the stock market and owed much to marketmakers' struggles to find stock.

Also pushing share prices ahead was the opening yesterday of the new two-week equity trading account, which spans the close of the first half of the year. Fund managers are unwilling to part with stocks which have performed well over the second quarter, and in some cases are willing to increase such holdings ahead of the quarterly inspection of portfolios by fund trustees.

Account Dealing Dates

*First Dealings:		
Jun 11	Jun 25	Jul 9
Option Declarations:		
Jun 21	Jul 5	Jul 19
Last Dealings:		
Jun 22	Jul 6	Jul 20
Account Day:		
Jul 2	Jul 16	Jul 30

*New-time dealings may take place from 8.30 am two business days earlier.

Nevertheless, the market opened sharply down in the wake of heavy falls in New York and Tokyo, and the disclosure from the latest survey of business opinion by the Confederation of British Industries that UK order books are at their lowest for eight years. With the FT-SE futures contract also looking sour, the equity market was down by 17.3 Footsie points within half an hour.

There was little selling, however, and a few cheap buyers came in as investors assessed a buoyant speech at the weekend from Mrs Margaret Thatcher, the UK premier, which coincided with publication of opinion polls showing a narrowing in the lead, albeit still considerable, held by the Labour opposition party.

The Footsie's early loss was transformed into a 13-point gain around midday which, after a brief pause, was extended when New York opened higher. Dealers said that the final hour of trading saw marketmakers bidding for stock in London and brushing off a check on Wall Street.

At the close, the FT-SE Index was 20 points up at the day's best of 2,398.5. Turnover was much less impressive, with the Seaq total of 379.1m shares nearly 24 per cent down on Friday's level. Equally discouraging was a premium of a mere 11 points on the Footsie future.

"Lack of sellers, lack of supply" was the description of the market from one leading trader. The shortage of stock brought sharp gains in a few sectors where there were sound, albeit technical, reasons for buying stock. Although the foods sector calmed down after the excitement stirred last week by the agreed bid for Jacobs Suchard by Philip Morris, the US tobacco, brewing and foods group, UK brewery stocks were very firm.

Yesterday's market performance surprised most traders, who sounded little impressed by the renewed move towards the FT-SE 2,400 territory. Strategists at leading securities firms continued to take a cautious stance for the near term.

FINANCIAL TIMES STOCK INDICES

	June 25	June 22	June 21	June 20	June 19	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	80.35	80.39	80.19	79.85	79.25	84.30	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	88.54	88.67	88.44	88.30	88.36	95.62	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1929.4	1913.0	1908.3	1903.4	1907.4	1809.3	1969.3 (3/1)	1653.6 (30/4)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	173.9	171.0	170.3	169.6	172.3	196.7	378.5 (6/2)	167.9 (15/6)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2398.5	2378.5	2370.3	2371.2	2369.7	2179.6	2463.7 (3/1)	2133.4 (30/4)	2463.7 (3/1/90)	986.9 (23/7/84)

	June 25	June 22	June 21	June 20	June 19	Year Ago
Ord. Div. Yield	4.80	4.84	4.85	4.85	4.84	4.41
Earning Yld %(full)	10.60	10.67	10.69	10.69	10.68	10.33
P/E Ratio(Net)(☆)	11.44	11.35	11.33	11.32	11.35	11.60
SEAQ Bargns 4.45pm	23,493	28,472	24,245	23,668	24,941	25,304
Equity Turnover(£m)†	-	880.28	913.87	877.52	1226.07	1297.08
Equity Bargains†	-	27,992	24,798	22,817	27,030	27,561
Shares Traded (ml)†	-	367.9	380.9	376.2	488.0	452.0

Basis 100 Govt. Secs 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 11.30

Ordinary Share Index, Hourly changes — Day's High 1929.5 — Day's Low 1901.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1901.1	1903.8	1911.9	1918.2	1921.1	1923.4	1923.0	1923.8	1927.4

FT-SE, Hourly changes — Day's High 2398.5 — Day's Low 2361.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2361.2	2364.2	2374.9	2379.1	2387.1	2390.4	2390.5	2391.6	2395.2

GILT EDGED ACTIVITY

Indices*	June 22	June 21
Gilt Edged Bargains	127.0	126.5
5 – Day average	140.3	145.4

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

[illegible]			

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

Optimism on TSB results

TSB edged higher to close at 140p ahead of interim figures scheduled for Thursday. Estimates of pre-tax profits for the half year range from around £185m to £235m, compared with the £164.5m achieved last time. Most forecasts are bunched around the £190m to £195m area, and many analysts expect the interim dividend to be increased by some 12 per cent to 3.2p.

The banks team at County NatWest predict that the results "will prove better than those for the other clearing banks and some bid premium will soon enter the price." County said TSB have been dismal performers since the flotation in October 1986 due to a series of poor results and expensive acquisitions. But County highlights TSB's strengths: its strong insurance side complementing its banking business and its 7m-strong customer base. "Free from major corporate, LDC or US real estate worries, the results could be the best yet."

The restriction on shareholdings in TSB above 5 per cent lapses in October next year when potential predators can take stakes of up to 14.9 per cent, and even above that with Bank of England approval. TSB is regarded by many analysts as one of only two or three potential bid targets in UK retail banking.

Additionally, TSB is seeking permission to buy in up to 14.9 per cent of its shares.

Allied Lyons wanted

Allied Lyons led the brewery sector higher, helped by a combination of factors. Traders reported widespread stock shortages and buying interest from institutions seeking to reinvest cash received when they sold Guinness shares to LVMH, the French luxury goods group, in a tender offer earlier this month.

S.G. Warburg recommended its institutional clients to buy Allied, claiming that the company looked under-rated after the recent strength of the sector. Warburg said Allied's wines and spirits businesses were beginning to benefit from the presence in the group of Hiram Walker, the Canadian distiller bought in 1986. It also said beer sales were doing well and that the company was dealing with the "weak links" of Lyons Maid and its seafood business.

Allied moved ahead 16 to 506p, the day's highest level. Turnover was a solid 2.4m shares and marketmakers reported US buying.

Siebe hit

News that another sizeable US acquisition is intended by Siebe, the UK control device group, put the shares down 25 to 505p. Siebe intends to offer $53 cash per share, making a total of $656m, for Foxboro, an automation and control equipment maker which announced earlier this month that it was exploring a strategic alliance with another company.

If the deal is successful, Foxboro will be merged with Siebe's US subsidiary Siebe Inc, and the advantages of a flotation of some of the latter's capital is being contemplated.

Analysts took the view that Siebe would have to work extremely hard to avoid dilution. The increase in borrowings would raise gearing to over 100 per cent, but it was conceded that the group had earned credit for turning similar businesses around over the past few years. One researcher felt that the relatively small fall in the Siebe share price indicated the market was taking the acquisition on trust.

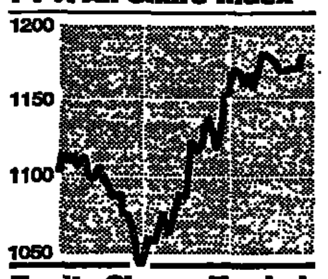
The oil and gas sector attracted its fair share of interest, although much of the activity was triggered by some highly speculative stories.

The day's most exciting but highly fanciful story emanated from the traded options market and centred on BP shares, which momentarily blipped upwards to touch 329p, before slipping back to close a net 2½ firmer at 327p on turnover of 8.8m. The whisper that triggered a flurry of trading was that a stake in BP of as much as 3.5 per cent had been steadily built up by Hanson over the previous few months and was about to be declared.

Close observers of the oils sector took little heed of the story and said close scrutiny of trading and turnover in BP showed absolutely no evidence of a stakebuilding operation. "Just remember how much turnover – hundreds of millions of shares – it took for the Kuwaitis to assemble their post-Government sale holding in BP three years ago," noted one oil sector specialist.

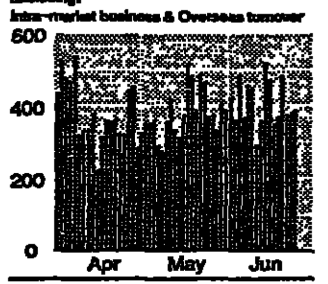
Enterprise Oil fell away to 644p and were finally a net 4 off at 648p after a report that ICI was considering issuing its near 25 per cent stake in the oil company direct to ICI shareholders. This, according to analysts, was the latest twist in a long-running saga concerning the ICI stake. "It is no more than another avenue – and there have been plenty spoken of during the past year or so – for ICI to explore regarding its Enterprise holding; a possibility, but no more than that," said one researcher.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



A third interesting story in oils concerned Ultramar and the Bontang liquefied natural gas (LNG) development in Indonesia where Ultramar has a 37.81 per cent stake. It was said that a 4.375 per cent stake in the Bontang Development, owned by Universe Oil and Gas, had been sold to Osaka Gas, the Japanese group and a customer for the development's LNG, for $195.4m.

Specialists said that if this was the case then the whole project would be worth some $4.5bn and Ultramar's 37.81 per cent stake would command a value of $1.7bn. BZW increased its asset valuation for Ultramar to 470p a share.

Responding to some keen buying interest, Ultramar rose 6 to 340p with turnover reaching 2.1m shares.

Water issues moved higher across the board, responding to a stock shortage. Dealers had been expecting a further decline in prices, but said there had been some quality buying interest, especially in Thames, up 3 at 158p on turnover of 2.3m shares, and Severn Trent, 6 higher at 144p on 1.7m. The Package advanced 45 to £1565.

Tobacco analysts yesterday embarked on a visit to the US to see businesses owned by BAT Industries. On the itinerary were the company's California insurance operation Farmers, and Brown & Williamson, the third biggest US cigarette maker. Bats climbed 8 to 661p.

Rothmans International, which publishes final results tomorrow, weakened yesterday after recent strength. The market had been stimulated by a recurrence of the notion that the figures might be accompanied by the flotation of Cartier. Rothmans is controlled by Richemont, the Swiss company associated with Rembrandt, the South African industrial group. Rothmans and Richemont between them own more than 90 per cent of Cartier.

The banks shrugged aside yet more profits downgrades in the sector and posted good gains. Barclays added 9 at 413p and Lloyds 7 at 297p. Kleinwort Benson were 2 easier at 373p after County NatWest shaved its profits forecast.

Two sizeable trades, of 600,000 shares apiece, helped Standard Chartered progress to end 7 firmer at 480p.

Saatchi & Saatchi weakened on news that the company had sold Peterson, a legal consultancy in Chicago, to its management. Analysts described the price – $2m plus 10 years of royalties worth at least $20m – as disappointing. Saatchi, which has paid a total of $116m for Peterson since its acquisition in 1987, slipped 2¼ to 83p.

A positive statement from the chairman of WPP helped the shares recover another 9 to 618p. Mr Martin Sorrell told the annual meeting that liquidity continued to improve and satisfactory progress was being made to reduce debt in line with his objective of substantially reducing it over the next five to six years. Ms Lorna Tilbian at S.G. Warburg said: "If they can say this at a low in the economy, it bodes well for the cyclical upturn."

Sea Containers' bid for control of the Isle of Man Steam Packet left the latter's shares 21 higher at 116p. The offer is being made through Seabox, a wholly owned subsidiary, and conducted by UBS Phillips & Drew. The terms are 115p for each Steam Packet share in cash, with a loan note alternative. The Sea Containers group holds 41 per cent of Steam Packet and has board representation. Seabox said it wanted the company to keep its stock exchange listing, with Sea Containers holding a controlling interest.

Press predictions that interest rates might begin to fall by the autumn helped the stores sector. Among those to benefit were Burton, up 11 to 169p, Kingfisher, 7 higher at 372p, and Marks and Spencer, 5 better at 245p. Boots gained 8 at 307p after the Sunday press publicised last week's bullish circular on the company from Morgan Stanley.

The exception to the optimistic mood was Next. The shares fell 7 to 49p as traders got wind of further downgradings from analysts. Researchers have been looking at whether interest payments on property operations are to be capitalised or included on the profit and loss account. Accordingly, some analysts have taken to providing two profits forecasts.

Tesco, up 6 at 225p, continued to benefit from a presentation to investors held by Smith New Court on Friday.

STC, bruised last week by a profits warning issued by the company and subsequent downgrades, staged a good rally to close 8 higher at 256p on 2.5m shares. A specialist said the shares had responded to "the same old story that has been around for many months, namely that a deal regarding ICL is imminent." The specialist added that profits forecasts for STC could well be cut even more as the year wears on.

British Telecom maintained its recent good showing, closing a further 4¼ higher at 304¼p as turnover expanded to 7.7m shares. "Institutions are stuffed with cash and BT is one of the safest bets in the market," said an analyst.

Several properties went higher, helped by advice from S.G. Warburg Securities. The investment house maintained its underweight stance on the sector but believed that there are opportunities for longer term funds to acquire stock in well funded companies at historically low ratings.

Among those favoured by Warburg were MEPC, 501p, Land Securities, 502p, and Greycoat, 411p, all of which rose around 7. The last-named is scheduled to report annual figures on Thursday. Also included was Great Portland, 5 firmer at 245p.

Priest Marians began a strong recovery from last week's lows as hopes revived of bid developments, the shares closing 27 higher at 215p. Speyhawk, another takeover target, advanced 15¼ to 237p ex-dividend, while Broadwell Land rebounded 10 to 60p. A report suggesting that the recent fall had been overdone put Cabra Estates up 3 to 34p.

Entangled in the recent concern over defence stocks, Dowty continued to languish awaiting Friday's preliminary statement, but it rallied from the day's low to close 2 off at 222p, after 220p. The group is expected to announce profits of around £83m.

A weekend report that an auction could develop for Mr Jock Mackenzie's TACE, the environmental products and engineering company, pushed the shares 26 higher to 207p. TACE and its sister company Goring Kerr were up for sale last month, and since then "expressions of interest" have been numerous. Mr Mackenzie was said to have received an offer from a private individual of £7m for his personal holding of 22 per cent in the company.

Wellman, the West Midlands furnace making and engineering concern, jumped 5½ to 35p in response to increased annual profits, while USM-quoted American Business Systems gained 6 to 179p for a similar reason.

Interim results marginally better than market expectations nudged Gestetner 4 higher to 248p, but Stag Furniture slipped 4 to 104p on news that the Cramington factory is to close, resulting in 56 job losses. Parkfield rebounded after last week's collapse but was unable to hold the highest level, closing 16 up at 168p after 179p. The company has warned on profits and a delay in reporting the accounts.

■ Other Market statistics, including the FT-Actuaries share index, Page 29

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (83).
BRITISH FUNDS (1) BREWERS (1) BUILDINGS (4) CHEMICALS (5) STORES (2) ELECTRICALS (5) ENGINEERING (3) FOODS (1) INDUSTRIALS (18) Alfa-Laval B, Amer. Business Systems, Baird (Wm.), Caparo Inds., China Light, Darby, Eurocopy, Expamet Intl., Halma, Hutchison Whampoa, Pifton Intl., Portals, Ramco Oil, Robertson, Swire Pacific A., Tomkins, Do. 6¼pc Cm. Pf., Do. 5.6pc Cv. Pf., INSURANCE (3) LEISURE (1) NEWSPAPERS (3) TOBACCOS (12) TRANSPORT (1) OILS (2) THIRD MARKET (1).

NEW LOWS (96).
AMERICAN (10) CANADIANS (7) BANKS (6) BUILDINGS (3) STORES (1) ELECTRICALS (4) ENGINEERING (3) FOODS (1) INDUSTRIALS (11) Amberley, Amer, Bluebird Toys, EFG, Macarthy, PCT, Somic, Stonehill, Swallowfield, Tams (J.), Willaire, INSURANCE (3) LEISURE (2) MOTORS (1) NEWSPAPERS (1) PAPERS (4) PROPERTY (8) SOUTH AFRICANS (1) TEXTILES (1) TRUSTS (10) OILS (3) OVERSEAS TRADERS (1) MINES (11) THIRD MARKET (1).

APPOINTMENTS

Chairman of Banco NatWest

■ NATIONAL WESTMINSTER BANK has appointed Mr Rafael Martinez Cortiña as chairman of its Spanish subsidiary, Banco NatWest. He was vice chairman and managing director of Banco Exterior de España, and vice chairman of Banco Atlantico, and replaces Mr Alfredo Lafita.

■ VIDEO ARTS GROUP has appointed Mr John L. Christmas as finance director from July 2. He was finance director at Tiphook Communications International.

■ Mr Peter Glover becomes a non-executive director of ROYAL SCOTTISH ASSURANCE on July 10.

■ Mr Douglas Hayden has been appointed a director of BERRY BIRCH & NOBLE. He was chief executive of Douglas Hayden Financial Services, a company acquired by the group two years ago.

■ GARTMORE's banking subsidiary, Gartmore Money Management, has appointed Mr Alastair Macdonald as marketing manager. He joins from Kitcat & Aitken. Gartmore Pension Fund Managers has appointed as business development executive Mr Tony Charlwood, who was assistant director, South Bank Polytechnic; Mr Anthony Creighton joins as a pension fund manager from a similar post with BZW Investment Management; and Mr Sean Cavanagh joins as a pension fund manager from Church Charity and Local Authority Fund Managers.

TSB TRUST COMPANY, Andover, has appointed Ms Barbara Reilly (pictured) as financial controller. She was chief accountant at TSB Trustcard.

■ Following the acquisition of LONDON & EDINBURGH TRUST by Fosakringsbolaget SPP, four directors of SPP have joined the LET board as non-executive directors. They are: Mr Ingemar Mundebo, chairman of SPP; Mr Krister Hertzen, managing director; Mr Tor Marthin, deputy managing director and head, investment division; and Mr Staffan Elmgren, corporate finance department head.

■ Mr Evgeny M. Grevtsev has been appointed deputy chairman and general manager of MOSCOW NARODNY BANK, London, replacing Mr Sergei D. Konychev who has resigned to resume duties in the Bank for Foreign Economic Affairs of the USSR.

■ Mr Graham Bignall has joined CRUSADER INSURANCE, a CIGNA company, as general manager, marketing. He was business controller with Marks and Spencer Financial Services.

■ Mr Walter Cumming has been appointed senior representative of THE ROYAL BANK OF SCOTLAND in Chicago, US, from July 9. He is deputy advances manager, Aberdeen regional office.

■ BURNS-ANDERSON GROUP has appointed Mr Mike Woodhouse as non-executive chairman. He is a non-executive director and deputy chairman of Courtaulds, and a non-executive director of Bowater. He succeeds Sir John Harvey-Jones who remains a non-executive director. Mr Gerry Mason and Mr Peter Scott of subsidiary Morson Group, and Mr Robert Durston and Mr Dorian Marks, joint managing directors of Burns-Anderson Recruitment, join the group board. Mr Don Richardson is resigning from the board.

■ Mr Alan Kemp has been appointed deputy chief executive of DUNEDIN FUND MANAGERS.

■ F. & C. GERMANY INVESTMENT TRUST has appointed Dr Georg Obermeir as a non-executive director. He is a director of VIAG, a West German energy, aluminium and chemicals group.

Mr Brian Medhurst (pictured) has been appointed managing director of PRUDENTIAL PROPERTY SERVICES. He is an executive director of the Prudential Corporation, and managing director of the international division, for which he will retain overall responsibility.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]						

Five to Fifteen Years

[illegible]						

Over Fifteen Years

[illegible]						

Undated

[illegible]						

Index-Linked

BRITISH FUNDS—Contd

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]						

INT. BANK AND O'SEAS

[illegible]						

CORPORATION LOANS

[illegible]						

COMMONWEALTH & AFRICAN LOANS

[illegible]						

LOANS

Building Societies

[illegible]						

Public Board and Ind.

[illegible]						

FOREIGN BONDS & RAILS

[illegible]						

AMERICANS

[illegible]							

AMERICANS—Contd

1990 High	1990 Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
21⅞	13¼	Chase Manhattan $12½	13⅜	–¼	$2.36	–	10.5
19¼	14	Chem. Banking Corpn.	14½	–⅛	$2.72	–	11.3
12½	8⅞	Chrysler $6¼	9½	+¼	$1.20	–	7.6
[illegible]							

CANADIANS

[illegible]							

Continued on next page

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
303	209	ANZ SA1	224	+2	44c	1.4	8.9	8.0
210	172	Abbey National 10p	203	+2	5.7	4.3	3.7	8.2
*274	210	Allied Irish Ord	225	−2	Q40%	♦	4.2	♦
£13½	£11¼	Algemene Fl.10	£11½	.....	Q28%	2.1	7.7	6.1
85	68	Anglo Irish	68	.....	N18.7%	2.7	6.5	9.3
83	68	Ansbacher (H.) 1p	82	.....	2.5	1.3	4.1	23.6
£71½	£54¼	Bancaire Cie Fr100	£60¾	−½	Q124%	−	2.3	−
£22¼	£16¾	Banco Bilbao Viz	£17¼	+⅛	Q49.1%	2.7	4.8	11.5
£31	£24¼	Banco de Santander	£28¼	.....	Q25%	2.4	4.0	10.5
286	224	Bank Ireland Ir£1	247	−2	Q14.7%	2.9	5.6	8.2
£19½	£18	Bank Leumi	£19½	.....	−	−	−	−
350	320	Bank Leumi (U.K.)	345	.....	†13.5	−	5.2	−
125	104	Bank Scotland	118	.....	4.55	3.3	5.1	7.8
100¼	83½	Do. 9¼pc Ird Pf	96½	+½	9¼%	−	12.8	−
54	35	Bank of Wales	46	.....	2.8	0.8	8.1	(22.1)
428	352	Barclays £1	413xd	+9	N19.57	3.5	6.3	5.7
22	13	Benchmark 20p	14	.....	1.63	1.0	15.5	8.0
335	310	Brown Shipley £1	312	.....	12.0	2.2	5.1	10.1
*435	341	Cater Allen £1	390xd	−25	N24.5	♦	8.4	♦
179	114	Chancery	117xd	+1	9.0	♦	10.3	♦
£23¼	£18¼	Commerzbk DM10	£19¼	.....	Q18%	−	3.5	−
£13¼	842	Dai Ichi K Bk Y50	867	−10	Q17%	♦	0.4	♦
*£31¼	£261	Deutsche Bk DM50	£274¾	+4¼	Q28%	−	1.8	−
£20¾	£18¾	Espirito Santo	£18¾	.....	Q75c	5.1	2.4	−
253	183	First Nat. Fin. 10p	221	−1	13.0	2.4	7.8	6.8
121	96	FNFC 6.3pc Cv. Pf	108xd	.....	6.3%	−	7.8	−
£13¼	968	Fuji Bank Y50	968	−21	Q17%	♦	0.3	♦
325	262	Gerrard & National	314	...	19.0	♦	8.1	♦
154	127	Guinness Mahon 10p	127	−1	2.1	−	2.3	−
328	223	Hambros 20p	268xd	−8	11.5	−	5.7	−
128	93	Do. 7.5pc Cv Pf	113	−1	7½%	−	8.8	−
53½	42½	HK & Shang. HK$2.50	43	+½	HQ38c	−	6.7	−
478	458	Joseph (Leo) £1	458	−5	15.85	−	4.6	−
150	126	King & Shaxson 20p	143	.....	10.25	♦	9.6	♦
422	340	Kleinwort Benson Grp	373	−2	16.0	2.5	5.7	9.5
642	403	Kyowa Bank Y50	454	−6	Q14%	♦	0.6	♦
[illegible]								

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

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MOTORS, AIRCRAFT TRADES – Contd

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY – Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST – Contd

[illegible]

INVESTMENT TRUST – Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS – Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES – Contd

Miscellaneous

[illegible]

THIRD MARKET

1990 High	Low	Stock		Price	+ or -	Div Net	C'vr	Yld Gr's	P/E
63	61	Paddington 5p	v	80					
118	65	Parrot	v	93	+0	L4.5		6.5	●
60	31	Wentaminster 5p	v	32					
14	11	Scott Pickard 10p	v	12					
36	11	Sempernova	v	11					2.4
36	24	Sleepy Kids 5p	v	32	-2				
2¼	1¼	Soapyard Studios	v	1¼					8.4
3½	1¼	Systems Connections	v	3¼					
98	56		v	56					22.1
55	35	UPL Group 10p	v	39		‡2.75	1.9		
181	125	Unit Group	v	178	-3	5.0	3.3	3.7	10.1
89	56	Video Magic Lens 1p	v	56					44.9
6¼	3¼	Vista Ents 5p	v	5½					
18	13	Vizcaya Hldgs 5p	v	13					
5½	3¼	Wilton Group 1p	v	4¼	+¼				●

NOTES

Stock Exchange dealing classifications are indicated to the right of security names α Alpha, β Beta, γ Gamma

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on *"maximum" distribution; this compares gross dividend costs to* profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * *Highs and lows marked thus have been adjusted to allow for rights issues for cash*
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ *Not officially UK listed; dealings permitted under rule 535(4)(a)*
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- # *Price at time of suspension*
- ¶ Indicated dividend after pending scrip and/or rights issue, cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings *indicated*
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend
- ★ *Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.*
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s *Dividend and yield exclude a special payment. t Indicated* dividend, cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates *for 1989-90. P Figures based on prospectus or other official* estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1	v	830xd	+12
Finlay Pkg 5p	v	54	+1
Holt (Jos) 25p	v	1305	+5
Carroll (P J)	v	140	
Hall (R & H)		365	
Heiton Hldgs	v	70	-5
IRG		201	
United Drug		160	

IRISH

Cap 8½% Ln 1991	£98½	
9pc Cap Ln 1996	£95¼	
Fin. 13% 97/02	£112¾	
Arnotts	392	

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	40
Amstrad	7
Astec (BSR)	6
BAT	62
BOC Grp	48
BTR	37
Barclays	34
Blue Circle	21
Boots	24
Bowaters	40
Brit Aerospace	47
British Steel	13
Brit Telecom	25
Cadburys	30
Charter Cons	42
Comm Union	41
Courtaulds	29
Eurotunnel	55
FKI	7
FNFC	20
Gen Accident	93
GEC	18
Glaxo	65
Grand Met	53
Guardian	20
GKN	33
Hanson	20
Hawker Sidd	53
ICI	99
Ladbroke	27
Legal & Gen	34
Lex Service	28
Lloyds Bank	25
Lucas Inds	13
Marks & Spencer	19
Midland Bk	24
Nat West Bk	30
P & O Dfd	52
Polly Peck	39
Racal Elect	19
RHM	30
Rank Org Ord	70
Reed Intnl	38
STC	21
Sears	9
SmKl. Beecham A	48
TI	39
TSB	11
Tesco	19
Thorn EMI	67
Trust Houses	24
T&N	18
Unilever	58
Vickers	19
Wellcome	57

Property

Brit Land	32
Control Secs	4
Land Securities	45
MEPC	45
Mountleigh	13

Oils

Aviva Petm	5
Brit Petroleum	28
Burmah Oil	55
Conroy Petm	18
Gaelic Res	3½
Premier	9
Shell	40
Tuskar Res	5½
Ultramar	31

Mines

Lonrho	21
RTZ	50

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	50.63	50.63	54.14	-0.4	5.06
Gilts & Fixed Int	6	105.8	105.8xd	112.3	+0.8	9.80
High Inc Equity	6	136.4	136.4	145.8	-0.4	4.36
Worldwide Bond	6	188.4	188.4xd	199.8	+0.1	6.46
Capital Growth						
American Growth	6	187.3	187.3	200.3	-2.9	1.16
Asian Pacific	6	139.6	142.6	151.7	-0.1	0.00
Assets & Earnings	6	157.9	157.9xd	168.8	-0.2	2.87
Capital Reserve Acc	0	93.61	93.61	93.81	+0.17	7.61
Capital Reserve Inc	0	78.74	78.74	78.92	+0.15	7.40
Commodity & Energy	6	91.55	91.55	97.91	-0.79	0.00
Dividend & Growth	6	48.87	49.97	53.15	....	4.23
1992 Enterprise	6	63.22	64.58	68.70	-0.13	1.95
Euro Capital Acc	6	103.3	103.3	110.4	+0.2	0.90
Euro Capital Inc	6	99.19	99.19	106.0	+0.3	0.90
General	6	177.8	177.8	190.1	-0.3	2.63
International	6	59.88	60.69	64.56	-0.39	0.77
Japan	6	96.63	96.63	103.3	-2.3	0.00
Mastertrust	6	89.35	89.35	95.56	-0.53	1.55
UK Growth Acc	6	176.7	176.7	188.9	-0.1	2.63
UK Growth Dist	6	115.4	115.4	123.4	-0.1	2.63
US Emerging Cos	6	58.61	58.61	62.68	-0.03	0.00
Income & Growth	6	303.6	303.6xd	324.7	-0.8	3.16
Ethical	6	47.68	47.68xd	50.99	-0.01	1.96
Abtrust Management Ltd (1200)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5¼	32.22	32.92	34.50	-0.21	2.29
European	5¼	90.99	91.24	97.40	-0.27	0.00
European Income	5¼	88.31	88.31xd	94.24	-0.13	1.36
Exempt	1	777.6	777.6	802.6	+3.6	1.22
Exempt Income	3¼	181.5	181.5	192.4	+0.4	4.49
Exempt American	3¼	384.4	384.4	402.8	-2.1	1.41

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Brown Shipley & Co Ltd—Contd.						
North American	6	62.87	62.87	66.96	-0.89	0.28
Orient ¢	6	115.7	115.7xd	124.0	-1.30	-
Recovery	6	44.32	44.32xd	47.20	-0.14	3.02
Smaller Cos Acc	6	246.9	246.9	262.9	+1.50	-
Smaller Cos Inc	6	151.2	151.2	161.0	+0.90	1.28
Brycourt Unit Tst Mgmt Ltd (1400)F						
Hesketh Hse, Portman Sq, W1H 0JR 071-935 6382						
Income Growth	1	192.2	192.2	199.2	.....	5.62
Buckmaster Mangmt Co Ltd (1200)H						
15 St Botolph Street, London EC3A 7JJ 071-247 4542						
Emerging Gwth	5¼	60.49	60.49	64.39	-0.02	3.50
(Accum Units)	5¼	62.85	62.85	66.62	-0.01	3.50
Fellowship Tst	5¼	63.35	64.04	68.13	+0.12	3.11
(Accum Units)	5¼	66.23	66.95	71.23	+0.12	3.11
General Inc	5¼	297.1	300.9	320.2	+0.1	3.56
(Accum Units)	5¼	517.3	523.9	557.4	+0.1	3.56
Income	5¼	162.5	165.3	175.4	+1.5	5.80
(Accum Units)	5¼	329.8	335.3	356.0	+8.1	5.80
International	5¼	102.8	102.8	109.0	-0.1	1.00
(Accum Units)	5¼	142.1	142.1	150.6	-0.1	1.00
Smaller Co's	5¼	99.43	101.2	107.7	+0.2	2.25
(Accum Units)	5¼	111.4	113.4	120.4	+0.3	2.25
Inv Portfolio	3	55.79	55.79	57.74	-0.4	2.61
(Accum Units)	3	58.49	58.49	60.54	-0.4	2.61
High Income Port	3	47.57	48.55	50.31	+0.6	4.65
Burrage Unit Tst Mangmt Ltd (0905)F						
117 Fenchurch St, London EC3M 5AL 071-480 7216						
Short Dated Gilt	1¼	56.85	56.85	57.70	+0.05	6.88
CCF Foster Braithwaite UT Mngt (1100)F						
1 White Hart Yard, London SE1 1NX 071-407 5966						
CCF Sel High Inc Eqty	5¼	48.07	48.88	52.01	-0.06	6.16
CCF Sel Intl Gwth	5¼	47.36	47.36	50.96	-0.05	0.00
CCF Sel Inv Tst	5¼	48.43	49.79	52.97	-0.15	2.02
CCF Sel UK Sm Co's	5¼	47.09	48.47	51.57	+0.08	2.00
CCL Unit Trusts Ltd (1400)F						
74 Shepherds Bush Green, W12 8SD 081-740 7070						
UK General Tst	5½	56.52	57.73	61.41	-0.05	2.86
Global Tst	5½	46.10	46.63	49.60	-0.29	0.35
Recovery Tst	5½	48.56	49.79	52.96	-0.03	1.92
CIBC Unit Tst Managers plc (1200)H						
Cottons Ctr, Cottons Lane, Ldn. SE1 2QL 071 234 6000						
Growth Fd Acc	5	119.4	120.9xd	127.5	+0.50	4.68

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Providence Capital Fd Mgrs Ltd—Contd.						
Japan Inc	5	95.17	95.17	101.9	-2.4	0.00
Nth American Acc	5	63.19	63.19	67.23	-1.01	0.98
Nth American Inc	5	60.58	60.58	64.45	-0.97	0.98
UK Equity Acc	5	87.39	87.39xd	93.96	+0.1	3.58
UK Equity Inc	5	77.65	77.65xd	83.50	+0.1	3.58
Worldwide Acc	5	114.6	114.6	122.5	-0.5	0.83
Worldwide Inc	5	109.8	109.8	117.4	-0.3	0.83
UK High Inc Eq Acc	5	81.29	81.29	88.08	+0.05	7.20
UK High Inc Eq Inc	5	70.44	70.44	76.32	+0.02	7.20
Hong Kong Acc	5	51.99	51.99	54.82	+0.22	3.23
Hong Kong Inc	5	48.09	48.09	51.30	+0.22	3.23

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Scottish Amicable Ut Tst Mgrs Ltd (1200)H						
150 St Vincent St., Glasgow G2 5NQ 041 204 2200						
Equity Income	6	40.79	41.68	44.39	-0.24	7.40
Equity Tst(10-1)	6	45.29	46.31	49.32	+0.02	4.95
Equity Strategy	6	54.50	55.76	59.38	.....	4.04
European Opps	6	69.62	70.59	75.18	+0.15	1.25
UK Smaller Co's	6	45.01	47.05	50.11	+0.02	2.80
Mangmnt Income	2½	101.37	101.37	103.94	+0.11	14.62
Scottish Equitable Fd Mgrs Ltd (1000)H						
28 St Andrews Sq, Edinburgh 031-556 1051						
Intl Income	3¼	196.2	196.2	205.4	.....	2.49
Intl Accum	3¼	312.5	312.5	327.1	.....	2.49

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♣ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers.
Other explanatory notes contained in last column of the FT Unit Trust information pages.

FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

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OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or −	Yield Gross
Stonehage Fund Mngrs Ltd				
Intl Man Fd	$10.95	11.01	.....	−
Strongbold Asset Mngmt (Guernsey) Ltd				
Tech and Comm	$13.65	14.49	.....	−
Pacific Basin Fd	$98.34	104.46	.....	−
Western European	$14.92	18.12	.....	−
The Taxi-Euro Fund Ltd				
Lloyds Bank Fund Mngrs (Guernsey) Ltd				
NAV June 25		24.06	.....	−
Tyndall International (Guernsey) Ltd				
Capital Defender	51.26	1.33	−0.01	−
Hi Yield Bond	64.1	67.4	.....	−
Internat. Spec. Sits	45.9	48.3	−0.4	−
Marunouchi Fd	84.5	88.9	−1.7	−
U.S. Treasury Securities Fund Ltd				
Short Term Shares		$712.45	.....	−
Fixed Income Shares		$838.57	.....	−
Wellington Fd Mngrs (Guernsey) Ltd				
Intnl Growth Fd	$13.61	14.29	.....	−
Yamaichi Capital Mangmt (Guernsey) Ltd				
Japan Main Growth		$11.71	−0.18	−
Yamaichi ESS Fund		$8.29	−0.16	−
Yamaichi CB Plus Fund		$8.81	−0.17	−
Total Inv Fund		$13.50	.....	−

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

	Bid Price	Offer Price	+ or −	Yield Gross
Allied Irish Fund Managers — Contd.				
Do Sterling Equivalent		£21.4161	.....	−
Ecu		Ecu13.0097	.....	−
Irish Gilt Fd		I£189.9502	.....	−
Intl Managed Dollar		$25.9920	.....	−
Intl Managed Bond		I£21.7469	.....	−
Barclays Intl Funds				
Currency Funds				
Sterling		£18.10		
US Dollar		$29.03	+0.01	13.7
Deutschemark		DM49.81	+0.01	6.8
Yen		Y3.716	+0.03	6.7
Managed Multicurrency	£12.39	12.83	+0.005	5.5
Managed Multicurrency	$23.71	24.58	+0.06	−
Bond Funds				
Sterling Bond	£0.386	0.401	+0.001	12.1
US Government Income	$95.28	96.68	+0.09	8.3
Brown Shipley Fund Mgmt (CI) Ltd				
Sterling Bd(Dly)(Daily)	£8.98	9.29	+0.05	10.76
Sterling Cap (Daily)	£31.98	32.00	+0.04	−
Intl. Bond (Daily)	$14.78	15.78	+0.10	8.17
Int Currency (Wed)	£1.45	1.53	.....	7.84
Cater Allen Investment Management (CI)				
CA Gilt Income	£6.81	7.13	.....	16.83
CA Gilt & Futures	966.00	1016.00	.....	7.87
CA Equity Gwth(2-1)	£4.67	5.05	.....	3.96
Citibank (CI) Ltd "Citifunds"				
Liquidity Funds				
Deutschmark		DM26.856	+0.007	−

	Bid Price	Offer Price	+ or −	Yield Gross
Warburg Asset Management Jersey Ltd — Contd.				
Mercury International Inv Tst Ltd				
Conti Europe Fd	£80.63	86.37	+0.3	−
Nth America Fd	£39.80	42.61	−0.46	−
Japan Fd	£48.49	51.93	−1.11	−
Pacific Fd	£47.08	50.38	+0.02	−
Reserve Fd	£50.82	52.53	+0.06	−
Wardley Fund Managers (Jersey) Ltd				
Wardley Japan Trust	$13.73	14.57	−0.29	0.07
Wardley Gilt Fund	£1.01	1.05		11.17
Wardley Priv Cap Tst	$19.73	20.94	−0.03	2.19
Wardley Int Equity Tst	$12.75	13.53	−0.07	−
Wardley Bond Tst	$14.82	15.66	+0.03	6.12
Wardley Funds Limited				
Managed Currency Fd	$−	15.901132	.....	−
Worldinvest (Managers) Jersey Ltd				
Worldinvest Inc Fd †	$213.61	214.69	.....	8.64
Exotic Global Eqty $*	$56.02	56.90	.....	−
Exotic Global Eqty DM*	DM21.41	21.31	.....	−
Exotic Global Fxd Inc DM*	DM19.62	19.72	.....	−

Valued weekly. * Mondays. † Wednesdays.

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or −	Yield Gross
Malaysia Capital Fund Ltd				
NAV June 22		$10.04	.....	−
Malaysia Growth Fund				
NAV June 22		$12.95	+0.06	−
Malaysia Select Fund Ltd				
NAV June 20		$10.1640		−
Malaysian Smaller Co's Fd (Cayman) Ltd				
Royal Trust Asset Mngmt (Asia) Ltd				
NAV June 18		$11.03	.....	−
Man International Futures				

	Bid Price	Offer Price	+ or −	Yield Gross
Warburg Inv Mngmt (Isle of Man) Ltd				
Mercury 90-10 Trust (Sican)				
Dollar Fd BOPUPs	$10.25	10.27	.....	−
Dollar Fd OPUPs	$9.17	9.24	.....	−
Sterling Fd BOPUPs	£10.30	10.31	.....	−
Sterling Fd OPUPs	£9.86	9.91		−
DM Fd BOPUPs	DM10.04	10.09		−
DM Fd OPUPs	DM8.89	8.95		−
Yen Fd BOPUPs	$7.54	7.60		−
Yen Fd OPUPs	$9.08	9.15		−
Wardley Investment Services Ltd				

Money Market Trust Funds

Money Market Bank Accounts

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Canadian dollar holds firm

THE Canadian dollar shrugged off worries of political instability after the collapse of the Meech Lake constitutional accord and moved higher as its yield attracted investors. Sterling and the Australian dollar were also bolstered by high interest rates, while the other major currencies were steady in quiet technical trading.

Analysts expressed surprise at the Canadian dollar's resiliance after the collapse of the accord but added that the news had already been anticipated by the market. Some profit-taking of US dollar-Canadian dollar positions helped bolster the Canadian unit. There was no indication by the London close that the Canadian central bank had been supporting the currency.

The expectation that Canadian monetary policy would remain tight encouraged dealers not to mark the dollar any lower. But some analysts remained sceptical. "High yields are the only factor supporting the Canadian dollar. If another major currency starts to rally it could come under pressure," said Mr Mark Brett, analyst at Barclays de Zoete Wedd. The US dollar fell to 1.1780 Canadian dollars, from 1.1820 on Friday.

The stability of the US dollar and D-Mark once again encouraged investors to favour currencies with high interest rates, particularly sterling and the Australian dollar. The yen remained weak following the recent surge in monetary growth.

Sterling followed its recent pattern of begining the week easier after an advance before the weekend. "It rises on Fridays with traders unwilling to be short in case the pound joins the exchange rate mechanism (of the EMS) at the weekend. But then it falls back on Monday when that doesn't happen," said Mr David Simmonds, treasury economist at Midland Montagu.

However, sterling was unable to stay down for long, due to high interest rates and the D-Mark's weaker tone. The lack of any major economic data this week will leave sterling stuck around DM2.90, many analysts said. Sterling closed in London unchanged at DM2.9025; but was weaker at $1.7305 from $1.7330; at SFr2.4400 from SFr2.4425; and firmed to FFr9.7475 from FFr9.7400; and to Y268.75 from Y268.25. Sterling's index, calculated by the Bank of England, was unchanged at 91.2. The Australian dollar also closed virtually unchanged at 78.4 US cents.

The US dollar opened firmly after it broke above the important Y155 resistance point in Japan. During the European day it was trapped in a narrow range and ended slightly higher. Analysts said it was unlikely to stray far from current levels before the release of June non-farm payroll figures on July 6.

The dollar closed higher at DM1.6780 from DM1.6745; at SFr1.4095 from SFr1.4090; at Y155.35 from Y154.75; and at FFr5.6325 from FFr5.6200. The dollar index finished unchanged at 67.5.

EURO-CURRENCY INTEREST RATES

Jun 25	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14 13/16-14 13/16	14 13/16-14 13/16	14 13/16-14 3/4	14 13/16-14 13/16	14 3/4-14 5/8	14 5/8-14 1/2
US Dollar	8 1/4-8 1/8	8 1/4-8 1/8	8 3/8-8 1/4	8 3/8-8 1/4	8 3/8-8 1/4	8 3/8-8 1/4
Can. Dollar	12 3/4-12 1/2	13 1/4-12 3/4	13 1/8-12 15/16	13 1/2-13 1/4	13 1/2-13 1/4	13 1/4-13
D. Guilder	8 1/4-7 3/4	8 1/4-7 3/4	8 3/8-8 1/4	8 3/8-8 1/4	8 1/2-8 3/8	8 5/8-8 1/2
Sw. Franc	9 1/4-9	9 1/4-8 3/4	9-8 3/4	8 15/16-8 13/16	8 3/4-8 5/8	8 5/8-8 1/2
Deutschmark	7 3/4-7 1/4	7 13/16-7 11/16	8 1/8-7 15/16	8 1/4-8 1/8	8 1/2-8 3/8	8 3/4-8 5/8
Fr. Franc	9 3/4-9 1/4	9 3/4-9 1/2	9 7/8-9 3/4	10 1/16-9 15/16	10 1/4-10 1/8	10 1/2-10 3/8
Italian Lira	13-11	11-10	11 1/2-11 1/4	11 1/2-10 7/8	11 1/2-11	11 3/4-11 1/4
Belgian Franc	12-10	11-10 1/2	10 1/4-10	9 7/8-9 3/4	9 13/16-9 11/16	9 13/16-9 11/16
Yen	7 3/4-7 1/2	7 5/8-7 1/2	7 1/2-7 3/8	7 1/2-7 3/8	7 5/8-7 1/2	7 3/4-7 5/8
D. Krone	10 3/4-10 1/4	10 5/8-10 3/8	10 3/4-10 1/2	10 5/8-10 3/8	10 3/4-10 1/2	10 3/4-10 1/2
Asian $Sing	8 1/2-8 3/8	8 1/4-8 1/8	8 1/2-8 3/8	8 1/4-8 1/8	8 1/2-8 3/8	8 5/8-8 1/2

Long term Eurodollars: two years 8 5/8-8 1/2 per cent; three years 9-8 7/8 per cent; four years 9 1/8-9 per cent; five years 9 1/4-9 1/8 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

£ IN NEW YORK

June 25	Latest	Previous Close
£ Spot	1.7290-1.7300	1.7325-1.7335
1 month	0.92-0.91pm	0.93-0.91pm
3 months	2.70-2.68pm	2.72-2.70pm
12 months	9.02-8.94pm	9.15-9.08pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	June 25	Previous
8.30 am	91.1	90.6
9.00 am	91.1	90.6
10.00 am	91.1	90.8
11.00 am	91.3	90.8
Noon	91.3	91.0
1.00 pm	91.4	91.2
2.00 pm	91.2	91.1
3.00 pm	91.2	91.1
4.00 pm	91.2	91.2

CURRENCY RATES

June 25	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling	-	0.763080	0.710281
U.S. Dollar	7	1.31616	1.23056
Canadian $	13.32	1.55557	1.45600
Austrian Sch.	6 1/2	15.5570	14.5194
Belgian Franc	10 1/4	45.3582	42.3129
Danish Krone	10 1/2	8.41355	7.84976
Deutsche Mark	6.00	2.21141	2.06341
Neth. Guilder	7.00	2.48557	2.32096
French Franc	10 1/4	7.42051	6.92745
Italian Lira	13 1/2	1621.10	1511.75
Japanese Yen	5 1/4	203.939	191.537
Norway Krone	8	8.50174	7.93405
Spanish Peseta	-	136.165	126.982
Swedish Krona	11	N/A	7.46705
Swiss Franc	6.00	1.86368	1.73079
Greek Drach.	20 1/2	N/A	201.825
Irish Punt	-	N/A	0.769198

† European Commission Calculations.
* All SDR rates are for June 22

CURRENCY MOVEMENTS

June 25	Bank of England Index	Morgan** Guaranty Changes %
Sterling	91.2	-20.9
U.S. Dollar	67.5	-10.6
Canadian Dollar	103.1	+0.1
Austrian Schilling	109.3	+11.3
Belgian Franc	111.4	-2.3
Danish Krone	110.2	+4.7
Deutsche Mark	118.0	+23.7
Swiss Franc	114.8	+23.1
Guilder	114.1	+15.8
French Franc	104.2	-12.4
Lira	101.2	-18.4
Yen	118.9	+48.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100)**Rates are for June 22.

OTHER CURRENCIES

June 25	£	$
Argentina	8632.70-8672.30	4990.00-5010.00
Australia	2.2005-2.2025	1.2730-1.2740
Brazil	95.1500-96.2435	55.000-55.6000
Finland	6.8140-6.8270	3.9430-3.9460
Greece	281.30-285.80	162.65-165.35
Hong Kong	13.4530-13.4660	7.7835-7.7855
Iran	121.00*	69.50*
Korea(Sth)	1227.30-1247.10	714.00-719.60
Kuwait	0.50430-0.50530	0.29280-0.29320
Luxembourg	59.45-59.55	34.35-35.45
Malaysia	4.6815-4.6930	2.7100-2.7120
Mexico	4937.40-4942.00	2854.00-2860.00
N. Zealand	2.9535-2.9580	1.7070-1.7090
Saudi Ar.	6.4585-6.4640	3.7495-3.7505
Singapore	3.1815-3.1885	1.8415-1.8435
S. Af (Cm)	4.5980-4.6095	2.6625-2.6640
S. Af (Fn)	6.8615-6.9860	3.9685-4.0405
Taiwan	47.25-47.35	27.35-27.40
U.A.E.	6.3240-6.3315	3.6715-3.6735

*Selling rate

POUND SPOT- FORWARD AGAINST THE POUND

June 25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7230-1.7335	1.7300-1.7310	0.92-0.90cpm	6.31	2.70-2.67pm	6.21
Canada	2.0385-2.0510	2.0395-2.0405	0.25-0.16cpm	1.21	0.58-0.45pm	1.01
Netherlands	3.25 1/4-3.27 1/4	3.26 1/4-3.27 1/4	1 3/8-1 1/8cpm	6.43	5 1/8-4 7/8pm	6.12
Belgium	59.30-59.65	59.45-59.55	24-21cpm	4.54	76-70pm	4.91
Denmark	11.01 1/2-11.05 1/2	11.02 1/4-11.03 1/4	4-3 1/2orepm	4.08	11 1/2-10 7/8pm	4.08
Ireland	1.0775-1.0835	1.0820-1.0830	0.30-0.25ppm	3.05	1.10-1.00pm	3.88
W. Germany	2.89 1/2-2.90 1/4	2.90-2.90 1/2	1 3/4-1 1/2pfpm	6.72	4 5/8-4 1/2pm	6.37
Portugal	253.55-255.50	254.00-255.00	33-13cpm	1.08	2-32dis	-0.27
Spain	178.00-178.95	178.10-178.40	4-2cpm	0.20	10-1pm	0.12
Italy	2122-2129 1/2	2126 1/4-2127 1/4	7-6lirepm	3.67	19-17pm	3.39
Norway	11.13 1/4-11.17 1/4	11.14-11.15	3 3/8-3orepm	3.43	9-8 1/2pm	3.12
France	9.72 1/4-9.75 1/4	9.74 1/4-9.75 1/4	4-3 7/8cpm	4.85	11 1/8-11 1/4pm	4.64
Sweden	10.47 1/4-10.52	10.49 1/2-10.50 1/2	2 1/2-2 1/4orepm	2.71	6 1/2-5 7/8pm	2.33
Japan	268 1/4-269 1/4	268 1/4-269 1/4	1 3/4-1 1/2ypm	7.26	4 7/8-4 5/8pm	7.07
Austria	20.31-20.44	20.35-20.38	10 5/8-9 7/8gropm	6.04	31 1/4-29 1/4pm	5.94
Switzerland	2.43-2.44 1/2	2.43 1/2-2.44 1/2	1 1/4-1cpm	5.53	3 1/2-3 3/8pm	5.64
ECU	1.4010-1.4060	1.4050-1.4060	0.57-0.54cpm	4.74	1.60-1.55pm	4.48

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.16-5.11cpm 12 month 9.05-8.95cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

June 25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7230-1.7336	1.7300-1.7310	0.92-0.90cpm	6.31	2.70-2.67pm	6.21
Ireland†	1.5955-1.6025	1.6005-1.6015	0.28-0.23cpm	1.91	0.80-0.70pm	1.87
Canada	1.1780-1.1885	1.1780-1.1790	0.49-0.52cdis	-5.14	1.53-1.58dis	-5.27
Netherlands	1.8820-1.8890	1.8870-1.8880	0.03-0.01cpm	0.13	par-0.02dis	0.02
Belgium	34.30-34.45	34.35-34.45	3.00-7.00cdis	-1.75	8.00-19.00dis	-1.57
Denmark	6.36 3/4-6.39	6.37-6.37 1/2	1.10-1.30oredis	-2.26	3.25-3.75dis	-2.20
W. Germany	1.6730-1.6800	1.6775-1.6785	0.05-0.03pfpm	0.29	0.07-0.04pm	0.13
Portugal	147.05-147.35	147.15-147.25	25-55cdis	-3.26	150-200dis	-4.75
Spain	103.00-103.45	103.15-103.25	51-57cdis	-6.29	153-167dis	-6.21
Italy	1225 1/4-1230 1/2	1228 3/4-1229 1/4	2.60-3.10liredis	-2.79	8.50-9.20dis	-2.89
Norway	6.43 1/2-6.46	6.43 3/4-6.44 1/4	1.50-1.75oredis	-3.03	4.90-5.30dis	-3.17
France	5.61 1/4-5.64	5.63-5.63 1/2	0.68-0.73cdis	-1.50	2.27-2.37dis	-1.65
Sweden	6.05 3/4-6.07 1/2	6.06 1/2-6.07	1.79-1.94cdis	-3.64	5.85-6.20dis	-3.97
Japan	155.15-155.80	155.30-155.40	0.13-0.11ypm	0.93	0.37-0.34pm	0.91
Austria	11.77 1/2-11.81 1/2	11.78-11.78 1/2	0.15-0.50grodis	-2.43	0.35-1.45dis	-2.25
Switzerland	1.4020-1.4140	1.4090-1.4100	0.07-0.09cdis	-0.68	0.19-0.21dis	0.57
ECU	1.2285-1.2330	1.2305-1.2315	0.16-0.15cpm	1.51	0.57-0.54pm	1.81

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 25	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.1679	42.3129	+0.34	+0.26	±1.5508
Danish Krone	7.79845	7.84976	+0.66	+0.48	±1.6453
German D-Mark	2.04446	2.06341	+0.93	+0.75	±1.1762
French Franc	6.85684	6.92745	+1.03	+0.85	±1.3618
Dutch Guilder	2.30358	2.32096	+0.75	+0.57	±1.5272
Irish Punt	0.763159	0.769198	+0.79	+0.61	±1.6689
Italian Lira	1529.70	1511.75	-1.17	-1.17	±1.5162
Spanish Peseta	132.889	126.982	-4.45	-4.45	±4.2705

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

June 25	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.731	2.903	268.8	9.748	2.440	3.268	2127	2.040	59.50
$	0.578	1	1.677	155.3	5.631	1.410	1.888	1229	1.179	34.37
DM	0.344	0.596	1	92.59	3.358	0.841	1.126	732.7	0.703	20.50
YEN	3.720	6.440	10.80	1000.	36.26	9.077	12.16	7913	7.589	221.4
F Fr.	1.026	1.776	2.978	275.7	10.	2.503	3.352	2182	2.093	61.04
S Fr.	0.410	0.709	1.190	110.2	3.995	1	1.339	871.7	0.836	24.39
H Fl.	0.306	0.530	0.888	82.25	2.983	0.747	1	650.9	0.624	18.21
Lira	0.470	0.814	1.365	126.4	4.583	1.147	1.536	1000.	0.959	27.97
C $	0.490	0.849	1.423	131.8	4.778	1.196	1.602	1043	1	29.17
B Fr.	1.681	2.909	4.879	451.8	16.38	4.101	5.492	3575	3.429	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS
£50,000 64ths of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
82	4-22	5-34	0-26	0-56
83	3-35	4-52	0-39	1-10
84	2-53	4-08	0-57	1-30
85	2-13	3-33	1-17	1-55
86	1-42	2-62	1-46	2-20
87	1-15	2-30	2-19	2-52
88	0-58	2-02	2-62	3-24
89	0-41	1-42	3-45	4-00

Estimated volume total, Calls 941 Puts 646
Previous day's open int. Calls 17120 Puts 12209

LIFFE US TREASURY BOND FUTURES OPTIONS
$100,000 64ths of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
90	3-42	4-00	0-22	0-62
91	2-54	3-21	0-34	1-19
92	2-06	2-47	0-50	1-45
93	1-30	2-13	1-10	2-11
94	0-62	1-48	1-42	2-46
95	0-39	1-23	2-19	3-21
96	0-23	1-03	3-03	4-01
97	0-13	0-50	3-57	4-48

Estimated volume total, Calls 75 Puts 100
Previous day's open int. Calls 1398 Puts 1139

LIFFE BUND FUTURES OPTIONS
DM250,000 points of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
8100	2.30	2.65	0.38	0.89
8150	1.92	2.34	0.50	1.08
8200	1.58	2.04	0.66	1.28
8250	1.27	1.77	0.85	1.51
8300	1.01	1.53	1.09	1.77
8350	0.79	1.31	1.37	2.05
8400	0.60	1.11	1.68	2.35
8450	0.45	0.93	2.03	2.67

Estimated volume total, Calls 1156 Puts 1288
Previous day's open int. Calls 30005 Puts 25713

LIFFE EUROMARK OPTIONS
DM1m points of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
9075	0.86	0.69	0.02	0.13
9100	0.62	0.51	0.03	0.20
9125	0.41	0.35	0.07	0.29
9150	0.23	0.23	0.14	0.42
9175	0.10	0.15	0.26	0.59
9200	0.04	0.09	0.45	0.78
9225	0.02	0.05	0.68	0.99
9250	0.01	0.03	0.92	1.22

Estimated volume total, Calls 175 Puts 600
Previous day's open int. Calls 8091 Puts 8189

LIFFE EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
9075	0.97	0.94	0	0.04
9100	0.73	0.73	0.01	0.08
9125	0.50	0.53	0.03	0.13
9150	0.31	0.37	0.09	0.22
9175	0.16	0.23	0.19	0.33
9200	0.06	0.14	0.34	0.49
9225	0.02	0.07	0.55	0.67
9250	0	0.03	0.78	0.88

Estimated volume total, Calls 20 Puts 0
Previous day's open int. Calls 3655 Puts 1180

LIFFE SHORT STERLING OPTIONS
£500,000 points of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
8450	1.02	1.84	0.03	0.05
8475	0.79	1.61	0.05	0.07
8500	0.57	1.39	0.08	0.10
8525	0.39	1.18	0.15	0.14
8550	0.25	0.98	0.26	0.19
8575	0.15	0.80	0.41	0.26
8600	0.09	0.62	0.60	0.33
8625	0.05	0.48	0.81	0.44

Estimated volume total, Calls 2460 Puts 2947
Previous day's open int. Calls 52139 Puts 44699

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Jun	85-11	85-22	85-18	85-18
Sep	85-30	86-21	85-27	86-05
Dec	86-21	87-02	87-02	86-28

Estimated volume 17936 (43075)
Previous day's open int. 35803 (34008)

US TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Sep	93-10	93-18	93-09	93-14
Dec	93-01			93-05
Mar	92-26			92-30

Estimated volume 738 (1416)
Previous day's open int. 6012 (6267)

6% NOTIONAL GERMAN GOVT. BOND
DM250,000 100ths of 100%

	Close	High	Low	Prev.
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume 23578 (35060)
Previous day's open int. 62561 (62762)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low	Prev.
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]			[illegible]

Estimated volume 124 (86)
Previous day's open int. 786 (787)

THREE MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
Sep–Jun (12 months)	[illegible]	[illegible]	[illegible]	[illegible]

Est. Vol. (inc. figs. not shown) 23072 (32202)
Previous day's open int. 163824 (163350)

THREE MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev.
Sep–Jun	[illegible]	[illegible]	[illegible]	[illegible]

Est. Vol. (inc. figs. not shown) 1302 (2332)
Previous day's open int. 29110 (29040)

THREE MONTH EUROMARK
DM 1m points of 100%

	Close	High	Low	Prev.
Sep–Jun	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume 12148 (9985)
Previous day's open int. 65703 (66077)

THREE MONTH ECU
ECU 1m points of 100%

	Close	High	Low	Prev.
Sep–Jun	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume 105 (20)
Previous day's open int. 2416 (2423)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Jun	[illegible]	[illegible]	[illegible]	2393.0
Sep	[illegible]	[illegible]	[illegible]	2457.0
Dec	[illegible]	[illegible]	[illegible]	2510.0

Estimated volume 6443 (9790)
Previous day's open int. 28077 (28770)

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7305	1.7215	1.7037	1.6792	1.6405

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Sep	1.7060	1.7082	1.7058	1.7068
Dec	-	1.6830	1.6808	1.6818

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Sep	93-12	93-22	93-12	93-15
Dec	93-04	93-11	93-04	93-06
Mar	92-29	92-31	92-29	93-31
Jun	92-22	92-24	92-22	92-24
Sep	-	-	-	92-18
Dec	-	-	-	92-12
Mar	-	-	-	92-07
Jun	-	-	-	92-02
Sep	-	-	-	92-29
Jun	-	-	-	-

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Jun	92.26	92.26	92.25	92.24
Sep	92.43	92.45	92.43	92.44
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]

CERT. DEPOSIT (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Sep	0.7107	0.7122	0.7103	0.7074
Dec	0.7115	0.7135	0.7102	0.7071
Mar	0.7105	0.7120	0.7105	0.7078

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

Strike Price	Calls Jul	Calls Aug	Calls Sep	Calls Dec	Puts Jul	Puts Aug	Puts Sep	Puts Dec
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.89 / 13.95 / 5.25 / 6.75 / 18.44 / 10.28

Previous day's open int: Calls 369,695 Puts 266,557 (All currencies)
Previous day's volume: Calls 4,024 Puts 8,841 (All currencies)

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Sep	0.6439	0.6443	0.6436	0.6471
Dec	0.6450	0.6452	0.6445	0.6482
Mar	-	-	-	0.6497

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
Sep	0.5975	0.5978	0.5965	0.5973
Dec	-	-	-	0.5968
Mar	0.5980	0.5980	0.5965	0.5962

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Sep–Mar	[illegible]	[illegible]	[illegible]	91.74 / 91.67 / 91.62 / 91.44 / 91.30 / 91.15 / 91.10 / 91.00

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Sep	360.50	[illegible]	[illegible]	360.15
Dec	364.60	[illegible]	[illegible]	364.70
Mar				369.70

10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES

	Open	Close	Change	High	Low	Yield	Open int.
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8,010
September	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	52,466
December	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6,209
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,537

Estimated volume 59,643 Total Open Interest 68,222

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls Sept.	Calls Dec.	Calls March	Puts Sept.	Puts Dec.	Puts March
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.85

Open Int. 98,810 14,436 1,150 85,644 35,149 4,050
Estimated volume 31,482 Total Open Interest 217,241

THREE-MONTH PIBOR FUTURES (MATIF) (Paris Interbank offered rate)

	Open	Close	Change	High	Low	Yield	Open int.
September	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11,727
December	89.99	90.00	+0.04	90.05	89.99	9.99	4,225
March	90.02	90.05	+0.06	90.08	90.02	9.97	987
June	90.06	90.06	+0.07	90.07	90.06	9.97	47

Estimated volume 5,978 Total Open Interest 16,986

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open int.
June	2030.0	2034.5	+4.5	2042.0	2022.0	4,238
July	2026.5	2032.0	+4.0	2039.0	2021.0	3,421
August	2033.0	2042.0	+5.0	2042.0	2028.0	275
September	-	-	-	-	-	10

Estimated volume 5,973 Total Open Interest 7,944

BASE LENDING RATES

	%		%		%
ABN Bank	15	Coutts & Co	15	NatWestminster	15
Adam & Company	15	Cyprus Popular Bk	15	Northern Bank Ltd	15
Allied Trust Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15 1/2
Allied Irish Bank	15	Duncan Lawrie	15	Provincial Bank PLC	16
● Henry Ansbacher	15	Equatorial Bank plc	15	Roxburghe G'rantee	15 1/2
Associates Cap Corp	15 1/2	Exeter Trust Ltd	15 1/2	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Trust Bank	15
Bank of Baroda	15	First National Bank Plc.	16 1/2	● Smith & Williamson Secs.	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	Standard Chartered	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15 1/2	TSB	15
Bank of Cyprus	15	Girobank	15	Unibank plc	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15 1/2	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
Benchmark Bank PLC	15	● Hill Samuel	§15	Whiteaway Laidlaw	15 1/2
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
Cl. Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk. of London Plc	15	Mount Banking	15		
Co-operative Bank	*16	Nat Bk. of Kuwait	15		

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MONEY MARKETS

London rates ease

UK money market rates eased slightly yesterday following widespread speculation that interest rates would be cut in the autumn. The key three-month interbank rate softened during the afternoon to close 1/16 point lower at 14 27/32-14 25/32 per cent.

The futures market was the first to respond and all short sterling contracts opened higher. At the close September was 6 points up at 85.49, while December was 12 firmer at 86.29. The latest survey from the Confederation of British Industry, which reported the lowest level of industrial orders for eight years, contributed to the weaker tone in the money market.

UK clearing bank base lending rate
15 per cent
from October 5

In its daily credit market operations, the Bank of England underfunded the forecast shortage by just over £100m but rates remained easier. The Bank forecast a shortage of £550m and provided total assistance of £443m. During the morning it bought £100m of band 2 bank bills at 14¾ per cent; after lunch it bought a further £143m. In band 1 at 14⅞ per cent it purchased £85m of Treasury bills and £11m of bank bills, while in band 2 it bought £47m of bank bills at 14¾. Finally, late assistance of £200m was provided.

The shortage was estimated to have been created by bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills, which drained £1,163bn and bankers balances £5m below target. But this was partially offset by Exchequer transactions, which added £90m and a fall in the note circulation £530m.

In Frankfurt the Bundesbank injected short-term funds into the market to stem money market pressure for higher rates. A DM7bn drop in banks' reserve holdings with the Bundesbank on Thursday had led to firmer call money rates, but the Bundesbank prevented a sharper rise by injecting additional short-term liquidity. The funds were added at around 7.85 per cent. Call money closed at 7.80-90 per cent from 7.50-60 on Friday.

In Paris short-term money rates were unchanged after the Bank of France left its intervention rate at 9.50 per cent at a securities repurchase tender held to allocate funds for injection into the money market today.

In New York the Federal Reserve did not intervene in the credit markets. Federal funds were 1/8 point higher at 8¼ per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. June 25) 3 months US dollars		6 months US Dollars	
bid 8 1/4	offer 8 3/8	bid 8 5/16	offer 8 7/16

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

(Lunchtime)

Prime rate	10	One month	7.16	Three year	8.44
Broker loan rate	9 1/4	Two month	7.55	Four year	8.52
Fed. funds	8 1/4	Three month	8.05	Five year	8.48
Fed. funds at intervention	-	Six month	8.07	Seven year	8.58
		One year	8.13	10-year	8.53
		Two year	8.42	30-year	8.51

June 25	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.80-7.90	7.80-7.95	8.00-8.15	8.15-8.30	8.40-8.55	8.00
Paris	9 13/16-9 15/16	9 7/8-9 3/4	9 13/16-9 15/16	9 15/16-10 1/16	10 1/16-10 3/16	9.50
Zurich	8 5/8-8 3/4	8 3/4-9	-	8 3/4-9	-	-
Amsterdam	7.81-7.93	8.07-8.14	-	8.25-8.33	-	-
Tokyo	7 11/16-7 13/16	7 13/16-7 15/16	-	7 13/16-7 15/16	-	-
Milan	11 1/4-11 3/4	11-11 1/4	-	11 1/4-11 1/2	-	-
Brussels	2.40	-	-	-	-	-
Dublin	10 1/2-10 3/4	10 9/16-10 13/16	10 9/16-10 13/16	10 9/16-10 13/16	10 3/4-10 5/8	-

LONDON MONEY RATES

Jun 25	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15 1/2	15	14 13/16	14 13/16	14 13/16	14 5/8
Interbank Bid	14 7/8	14 7/8	14 3/4	14 3/4	14 11/16	14 1/2
Sterling CDs	-	-	14 13/16	14 3/4	14 11/16	14 1/2
Local Authority Deps.	14 13/16	14 7/8	14 3/4	14 7/8	14 3/4	14 5/8
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	15 1/4	14 7/8	14 13/16	14 1/2	-	-
Company Deposits	-	-	14 13/16	14 13/16	14 11/16	14 13/16
Finance House Deposits	-	-	15	15	14 27/32	14 5/8
Treasury Bills (Buy)	-	-	14 13/16	14 3/4	-	-
Bank Bills (Buy)	-	-	14 5/8	14 11/16	13 27/32	-
Fine Trade Bills (Buy)	-	-	15 1/4	14 25/32	14 13/16	-
Dollar CDs	-	-	8.25	8.27	8.35	8.52
SDR Linked Dep. Offer	-	-	8 3/8	9	9 1/8	9 3/8
SDR Linked Dep. Bid	-	-	8 1/4	8 7/8	9	9 1/4
ECU Linked Dep. Offer	-	-	9 7/8	10 1/4	10 3/8	10 5/8
ECU Linked Dep. Bid	-	-	9 3/4	10	10 1/4	10 1/2

Treasury Bills (sell); one-month 10 5/8 per cent; three months 14 5/8 per cent; Bank Bills (sell); one-month 14 13/16 per cent; three months 14 5/8 per cent; Treasury Bills; Average tender rate of discount 14.3152 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day May 31, 1990. Agreed rates for period June 26, 1990 to July 24, 1990, Scheme I: 15.91 p.c., Schemes II & III: 16.44 p.c. Reference rate for period May 1, 1990 to May 31, 1990, Scheme IV&V: 15.201 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15 1/2 from June 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11 1/2 per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11 1/2 per cent from Oct 9, 1989. Deposits withdrawn for cash 5 per cent.

CONTRACTS & TENDERS

GOVERNMENT OF INDIA AIR HEADQUARTERS : INDIAN AIR FORCE TENDER NOTICE

On behalf of the President of India, Director of Purchase Air Headquarters IAF invistes sealed tenders on prescribed forms from manufacturers, registered with respective Ministries of Defence/on approved list of Indian Embassies abroad or of Air HQ, India for supply of the following stores:-

NATURE OF EQUIPMENT	TENDER NO.	TENDER OPENING DATE
Aviation Oils and greases	Air HQ/POL/6025118/FPW/PUR	22 AUG 90

Tender documents containing detailed list of requirements and specifications can be had from the office of the Director of Purchase, Air Headquarters, Vayu Bhawan, New Delhi - 110 011 (Telex 31-65622) (Tel: 3017664/3011754) on payment of £10/- per tender by Demand Draft in favour of CDA(HQ), New Delhi at State Bank of India, New Delhi.

However, messages through telex may be sent in advance and payment may follow. Sale of tender documents will close on 10th July 90. Tenders will be opened at 1100 hrs on the due date. Only manufacturers who can offer stores with adequate guarantee and suitable approved certification, may seek tender documents. Copy of documents of Ministry of Defence or other authority approving quality standards and authorising issue of inspection certificates for the range of stores offered is essential.

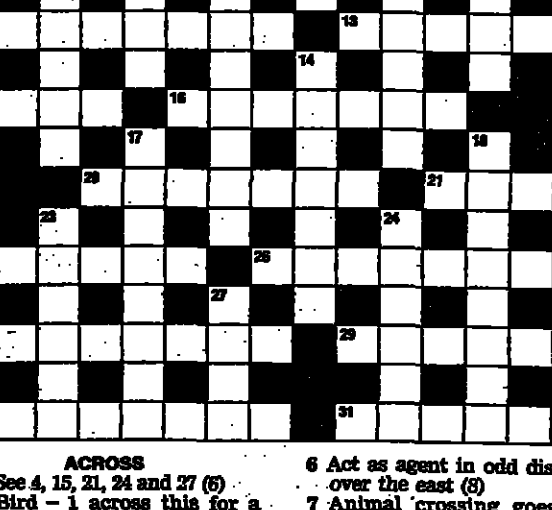
Tenders will not be considered if they are received late or if documents as prescribed are not enclosed.

CORRESPONDENCE/COMMUNICATION WILL BE DIRECT WITH THIS OFFICE IN INDIA AND NOT THROUGH ANY INDIAN AGENTS.

JOTTER PAD

CROSSWORD

No.7,273 Set by QUARK



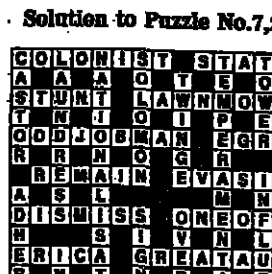
ACROSS

1 See 4, 15, 21, 24 and 27 (6)
4 Bird – 1 across this for a dish (8)
9 English in old car make big fuss (6)
10 Whelp's temporary addition? (5,3)
12 Unevenly balanced poles did, collapsing (8)
13 Averts changes fast (6)
15 1 across this for musical pattern to break suddenly (4)
16 Set up type to produce literary work (7)
20 Insistent orators include me – one with powerful voice (7)
21 1 across this for a fine drop longed for, we hear (4)
25 South American river bird (6)
26 Loosen trimming under hat (8)
28 Body of peers (no youngsters included?) (8)
29 River I'm getting round comes from cold region (6)
30 "Rough" is my word for bad behaviour (8)
31 Sly EEC arrangement for places of learning in Europe (6)

DOWN

1 You'll be off, if on it! (4-4)
2 Spread out the map with few partitions (4-4)
3 Animal family seen on certain trees (6)
5 The burden is ours to bear (4)
6 Act as agent in odd dispute over the east (8)
7 Animal crossing goes on foot (6)
8 Pet? If you've more than one you'll be excited (6)
11 Give details about the sum (7)
14 Select a p-position on the field (7)
17 I could produce exhibits yet no art is involved (8)
18 Home is where the hearth is! (8)
19 Written promises from the boss carefully meditated (8)
22 Order vehicle round the curve in the road (6)
23 School to work over the ground (6)
24 1 across this for another fine drop? (6)
27 Urges 1 across this for savoury items (4)

Solution to Puzzle No.7,272



Because of communications difficulties, data for North American markets were not available for some editions

WORLD STOCK MARKETS

AUSTRIA

1990 High	1990 Low	June 22	Price Sch
5,285	2,885	Austrian Airlines	4,830
7,500	4,982	Creditanstalt	6,200
29,590	19,700	Erste Allgemeine	22,300
19,600	14,400	Jungbunzlauer	15,200
1,455	660	Landerbank	1,220
14,230	8,350	OeMV	10,950
2,380	1,680	Perlmooser	1,950
1,218	885	Radex	1,215
3,400	2,230	Reininghaus	2,400
250	115	Steyr-Daimler	224
1,510	980	Veitscher Mag	1,135
770	425	Verbund	600
7,580	5,860	Wienerberger	6,100

BELGIUM/LUXEMBOURG

1990 High	1990 Low	June 22	Price Frs.
5,700	3,900	Arbed	5,300
3,520	2,800	B.B.L	3,010
15,700	15,100	Bank Intl. a Lux	15,500
15,000	14,650	Banque Gen. Du Lux	14,700
37,000	32,000	Banque Nat Belg	33,500
2,470	1,865	Barco	2,400
16,650	14,025	Bekaert B	14,750
9,520	6,930	Ciment CBR	9,350
6,140	5,000	Cobepa	5,620
6,030	4,950	Do. AFV 1	5,410
214	170	Cockerill	192
25,775	18,600	Colruyt	25,100
6,450	5,000	Delhaize	6,400
4,560	3,860	EBES	3,905
4,490	3,760	Do. AFV 1	3,815
544	221	Fabrique Nat	240
1,408	1,194	GIB Group	1,370

FRANCE (continued)

1990 High	1990 Low	June 22	Price Frs.
935	725	Beghin-Say	884
635	500	Do. Certs	625
3,480	2,695	Bongrain	3,350
683	525	Bouygues	650
1,534	1,190	CGIP	1,370
235	163.3	CMB Packaging	191
3,780	3,065	Carrefour	3,549
215	128.2	Casino	131.5
649	489	Cetelem	580
1,376	1,001	Chargeurs	1,030
1,813	1,241	Ciments Fr.	1,720
788	597	Club Mediterranee	608
432	351	Cofimeg	351
486	352	Cogifi	445
640	517	CGE	628
629	343	Coparex	575
262.8	213.5	CCF	229.5
1,420	1,219	Cred Foncier Fr	1,286
898	650	Cred Lyonn (CI)	817
1,591	1,183	Credit National	1,495
4,330	3,055	Damart	3,055
5,770	3,680	Docks de France	3,850
643	542	Dollfus-Mieg	548
672	485	Dumez S.A.	603
2,750	2,015	Eaux (Cie Gen)	2,707
620	454	Ecco	567
1,083	880	Electrofla're	1,021
730	511	Elf-Aquitaine	684
521	406	Do. Certs	511
1,400	1,160	Epeda-Bertrand	1,170
3,020	2,400	Essilor	2,670
2,515	1,760	Eternit (Fin.)	2,080
2,690	2,005	Eurafrance	2,030
2,440	1,731	Eurotom	2,300
108.2	90	Euro Disneyland	103.4

CANADA

TORONTO

Closing prices June 22

Sales	Stock	High	Low	Close	Chng
66100	Cara	$17	16¾	16¾	− ¼
900	Cara A f	$16⅞	16½	16½	− ½
8400	Carena	$20¼	20	20¼	+ ¼
11100	Cascades	395	385	385	
9815	Celanese	$30¼	30¼	30¼	
8825	Cen Capital	$9	9	9	
16130	CenCap A	$7⅞	7⅞	7⅞	− ⅛
1100	CenFd A	$5⅝	5½	5⅝	
500	C Guar Trc	$8¾	8¾	8¾	+ ¼
11000	Charan	10	10	10	
6000	Chieftan	$25⅝	25⅝	25⅝	− ¼
15810	CHUM B f	$20½	20½	20½	+ ½
53600	Cineplex	$6⅛	5½	5⅞	+ ⅜
5880	H Bay Co	$31	31	31	
172812	Imasco L	$36	35¾	35¾	− ⅜
89061	Imp Oil A	$56½	56	56	− ⅜
173281	Inco	$32⅛	31¼	31¼	− ½
1400	Innopac	$6¼	6¼	6¼	
18268	Interhome	$49¼	48¾	48¾	− ½
300	Inv Grp	$23⅛	23⅛	23⅛	
3300	Ipsco	$16⅝	16¼	16½	
2044	Ivaco A f	$10⅛	10⅛	10⅛	
5602	Jannock	$15⅞	15⅞	15⅞	
18400	Kerr Add	$18	18	18	
44952	Labatt	$21½	21¼	21⅜	− ⅜
191857	Lac Mnrls	$10½	10¼	10⅜	− ⅛
1800	SNC A f	$11⅞	11⅞	11⅞	
1400	StL CemA f	$17⅛	17	17⅛	− ⅛
105446	Saskoil	$13½	13⅛	13½	
21401	Sceptre	370	365	365	− 5
1600	Schneider A	$17¼	17¼	17¼	+ ⅛
200	Scot Paper	$17¼	17¼	17¼	
5755	Scotts I	$15¼	15	15	− ⅛
700	Scotts C	$15½	15¼	15½	+ ⅛
44135	Seagram	$98½	97½	97½	− ⅛
26718	Sears Can	$11½	11½	11½	− ⅛
5700	ShawC B f	$9¼	9¼	9¼	
13400	Shell Can	$38½	38¼	38¼	+ ⅛
27800	Sherritt	$7½	7⅛	7⅛	− ⅛

MONTREAL

Closing prices June 22

Sales	Stock	High	Low	Close	Chng
8500	Cascades	390	385	390	+05
9465	DomTxtA	$11⅛	11	11⅛	+ ⅛
2600	Donohue	$105	10⅝	10⅝	− ⅛
3750	Memotec	$08½	08½	08½	
92329	NatBk Cda	$09¼	09¼	09¼	− ½
39470	Noverco	$15⅛	15	15	− ⅛
25000	Power Corp	$14⅛	14⅛	14⅛	− ¼
5160	Provigo	$08⅞	08¾	08⅞	− ⅛
1900	Quebecr A	$12⅛	12	12	− ⅛
1075	Quebecr B	$10⅞	10⅞	10⅞	
17030	Videotron	$13⅛	13	13⅛	− ½

Total Sales 4,012,152 shares.

INDICES

NEW YORK

DOW JONES	June 22	June 21	June 20	June 19	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2857.18	2901.73	2895.30	2893.56	2935.89 (15/6)	2543.24 (30/1)	2935.89 (15/6/90)	41.22 (2/7/32)
Home Bonds	90.91	90.69	90.74	90.81	93.04 (3/1)	88.48 (2/5)	—	—
Transport	1164.23	1176.64	1177.01	1178.83	1212.77 (6/6)	1031.83 (30/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	208.19	209.19	208.56	208.94	236.23 (2/1)	203.09 (30/4)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2931.93 (2916.58) Low 2848.02 (2870.05)

STANDARD AND POOR'S	June 22	June 21	June 20	June 19	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	355.43	360.47	359.10	358.47	367.40 (4/6)	322.98 (30/1)	367.40 (4/6/90)	4.40 (1/6/32)
Industrials	417.21	423.07	421.23	420.11	428.34 (4/6)	371.92 (30/1)	428.34 (4/6/90)	3.62 (21/6/32)
Financial	28.88	29.22	29.15	29.38	31.87 (3/1)	26.59 (27/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	194.24	196.49	195.84	195.61	200.21 (4/6)	178.43 (30/1)	200.21 (4/6/90)	4.46 (25/4/42)
Amex Mkt. Value	359.28	360.22	360.81	360.83	382.45 (5/1)	342.64 (24/4)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	459.33	461.27	460.80	460.53	468.86 (13/6)	410.72 (30/1)	485.73 (9/10/89)	54.87 (31/10/72)

	June 15	June 8	May 25	year ago (approx.)
Dow Industrial Div. Yield	3.67	3.71	4.01	3.59

	June 20	June 13	June 6	year ago (approx.)
S & P Industrial div. yield	2.98	2.90	2.91	3.17
S & P Indl. P/E ratio	16.87	17.07	17.01	12.91

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
A T & T	8,260,500	42½	− 1⅛
Am. Express	4,898,200	30½	+ ¼
Philip Morris	3,908,800	44½	+ ⅛
Beverly Ent.	2,442,200	5⅞	+ ⅛
First Bran	1,861,600	28⅛	+ 4¼
Navistar	1,634,400	4⅛	...
Baxter Int.	1,592,200	25	− ⅛
Boeing	1,572,300	57⅞	− 1⅝
Bristol Myers	1,556,900	61⅛	− 1
Gen. Electric	1,548,100	69⅞	− ¼

TRADING ACTIVITY

† Volume Millions	June 22	June 21	June 20
New York	172.570	138.570	137.420
Amex	15.588	9.826	13.234
NASDAQ	(u)	144.292	148.092
Issues Traded	2,009	2,001	1,993
Rises	600	769	667
Falls	900	681	767
Unchanged	509	551	559
New Highs	57	35	26
New Lows	32	36	37

CANADA

TORONTO	June 22	June 21	June 20	June 19	1990 HIGH	1990 LOW
Metals & Minerals	3159.10	3206.90	3188.00	3181.00	3453.05 (4/1)	2850.80 (23/4)
Composite	3490.80	3526.30	3530.50	3529.10	4009.47 (3/1)	3334.20 (1/5)
MONTREAL Portfolio	1802.65	1825.02	1825.02	1823.84	2060.90 (3/1)	1720.25 (27/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. † Correction.

	June 22	June 21	June 20	June 19	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1512.5	1505.4	1502.8	1499.4	1713.7 (12/1)	1434.5 (30/4)
All Mining (1/1/80)	725.8	725.6	723.8	722.5	860.8 (5/1)	715.3 (1/5)
AUSTRIA						
Credit Aktien (30/12/84)	588.28	570.82	559.51	564.51	703.29 (19/3)	526.59 (2/1)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	6281.67	6263.36	6254.36	6252.76	6599.43 (12/1)	5568.16 (26/2)
DENMARK						
Copenhagen SE (3/1/83)	381.36	380.94	380.74	381.50	382.50 (15/6)	352.96 (25/4)
FINLAND						
Unitas General (1975)	(c)	563.4	569.0	567.2	677.3 (23/1)	562.2 (11/5)
FRANCE						
CAC General (31/12/82)	542.79	538.93	539.23	534.14	564.62 (30/5)	482.94 (26/3)
CAC 40 (31/12/87)	2031.73	2007.98	2003.66	2000.14	2129.32 (20/4)	1808.32 (26/2)
GERMANY						
FAZ Aktien (31/12/58)	791.73	786.78	782.54	771.87	830.92 (3/4)	732.71 (24/1)
Commerzbank (1/12/53)	2284.20	2270.60	2257.3	2224.3	2414.0 (3/4)	2151.5 (24/1)
DAX (30/12/87)	1872.92	1863.57	1849.56	1836.74	1968.55 (30/3)	1756.41 (24/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3250.44	3246.21	3234.39	3229.02	3250.44 (22/6)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1698.24	1701.97	1707.29	1704.95	1893.10 (22/1)	1582.61 (2/5)
ITALY						
Banca Com. Ital. (1972)	746.03	748.02	757.63	758.68	763.52 (14/6)	646.73 (26/3)
JAPAN						
Nikkei (16/5/49)	31694.57	32087.27	32087.76	32040.38	38712.88 (4/1)	28002.07 (2/4)
Tokyo SE (Topix) (4/1/68)	2341.06	2361.56	2366.80	2353.93	2867.70 (4/1)	2058.82 (5/4)
2nd Section (4/1/68)	4135.42	4151.73	4147.58	4145.06	4284.68 (9/2)	3313.92 (5/4)
MALAYSIA						
KLSE Composite (4/4/86)	579.64	577.42	573.96	570.89	622.20 (30/2)	518.53 (2/5)
NETHERLANDS						
CBS Tll.Rtn Gen.(End 1983)	266.7	265.8	266.2	264.6	269.8 (3/1)	240.1 (26/2)
CBS All Shr (End 1983)	198.7	198.0	198.3	197.2	206.3 (3/1)	184.2 (26/2)
NORWAY						
Oslo SE (Ind) (2/1/83)	824.96	827.06	830.14	823.61	859.05 (5/6)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	945.58	927.70	919.78	910.87	1160.70 (21/3)	740.31 (6/6)
SINGAPORE						
SES All-Singapore (2/4/75)	431.00	430.89	430.41	430.67	443.34 (6/2)	401.34 (30/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	(u)	1357.0	1322.0	1357.0	2230.0 (16/1)	1322.0 (20/6)
JSE Industrial (28/9/78)	(u)	2924.0	2921.0	2929.0	3211.0 (6/2)	2794.0 (25/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	747.37	743.17	740.84	749.61	928.82 (4/1)	688.66 (30/4)
SPAIN						
Madrid SE (30/12/85)	289.30	286.81	284.74	282.96	302.85 (4/1)	248.17 (2/4)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	(c)	(u)	1273.6	1268.3	1317.88 (12/1)	1127.20 (2/4)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	(u)	814.5	813.7	812.4	825.1 (5/6)	737.6 (27/3)
TAIWAN**						
Weighted Price (30/6/66)	5452.74	5500.40	5522.04	5892.88	12495.34 (10/2)	5452.74 (22/6)
THAILAND						
Bangkok SET (30/4/75)	1009.71	998.33	1014.11	989.28	1033.52 (8/6)	760.39 (7/3)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	516.8	516.8	515.3	571.0 (4/1)	468.3 (2/4)

**Saturday June 16: Taiwan Weighted Price. (c). Korea Comp Ex. 774.07

‡ Subject to official recalculation

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 256.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

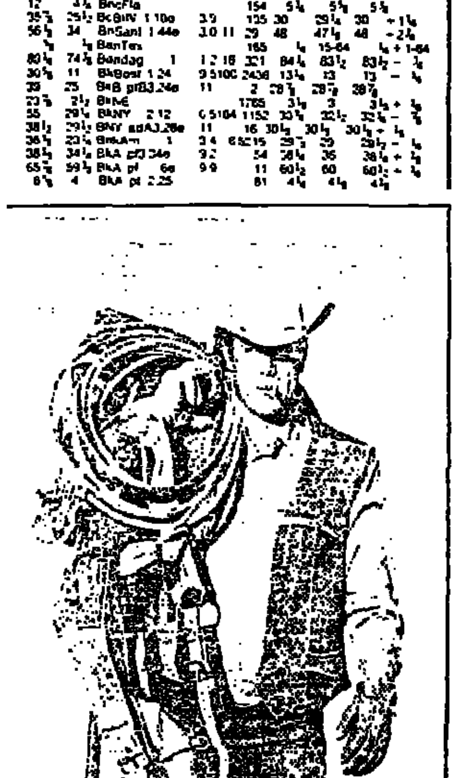
Friday June 22 1990

	Stocks Traded	Closing Prices	Change on day
MHI	12.7m	1,000	-10
Nippon Steel	7.3m	585	-19
Nippon Mining	7.0m	922	-33
Daiichi Pharm	6.9m	2,460	+50
Kawasaki Steel	6.6m	588	-23
Canon	6.4m	1,790	0
NKK	5.8m	620	-17
Sharp	3.4m	1,840	-10
Mitsui Eng&Ship	3.2m	931	-4
Toyota	3.1m	2,560	-10

4pm prices June 22

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	19	AAR	.48	2.3	13	1779	21⅛	20⅝	21	+⅜
9⅞	8	ACM n	1.01	12.		86	8⅝	8⅝	8⅝	
11⅜	9⅞	ACMIn	1.26	12.		1056	10¼	10⅛	10¼	
9¼	7¼	ACM M n	1.01	13.		388	7⅞	7¾	7⅞	
12⅛	10	ACMMM				253	10⅛	10⅝	10⅝	–⅛
11½	9⅞	ACM Sc	1.26	12.		1606	10⅛	10	10⅛	+⅛
8⅞	8⅛	ACMSp	1.01	12.		709	8⅜	8¼	8¼	
24⅝	14½	AL Lab	.16	.7	21	494	23	22⅝	23	+⅛
5¾	2⅛	AM Intl				173	2⅞	2⅝	2⅝	
23⅛	10¼	AM In pf	2	16.		28	12¼	12⅛	12⅛	–⅛
107¼	52½	AMR			12	2610	65¼	64¼	64⅞	–1⅞
26½	25	ANR pf	2.67	10.		432	25¾	25⅝	25⅝	+⅛
4⅞	3	ARX				11	3½	3½	3½	
72⅞	40⅛	ASA	3e	6.8		561	44⅞	44	44⅛	+⅛
40⅞	28¼	AbtLab s	.84	2.1	20	6393	u41	40	40⅛	–⅜
16⅞	11¼	Abitibi g	.50			4	13¼	13¼	13¼	
12⅞	8¼	AcmeC	.40	4.9	10	62	8⅜	d 8¼	8¼	–⅜
9⅛	7⅜	AcmeE	.32	3.8	10	20	8⅛	8⅜	8⅜	+⅛
41⅞	20⅞	Acuson			22	628	37¼	36⅞	37½	+½
16½	13¼	AdaEx	2.06e	13.		144	16¼	16	16	
15⅛	9½	Adobe				99	11⅞	11⅝	11⅞	+⅜
20¼	17⅞	Adob pf	1.84	9.6		9	19½	19½	19½	
21⅜	20⅛	Adob pf	2.40	12.		3	20⅝	20⅝	20⅝	–⅛
11⅞	6⅞	AMD			19	3021	9½	9	9	–¼
34¼	28¼	AMD pf	3	9.4		15	32	31⅝	32	+⅜
10⅛	4⅛	Advest	.16	3.6	56	43	4⅝	4½	4½	–¼
62½	45¼	AetnLf	2.76	5.3	9	2389	52¼	51⅞	52	–½
14	9¼	AhPb	.24	2.3		502	10⅞	10⅝	10⅝	
25	16⅛	Ahmans	.88	4.5	9	1813	20¼	19⅝	19⅝	
3⅞	1⅞	Aileen				92	2⅝	2½	2⅝	+⅛
58	40	AirPrd	1.44	2.6	14	1213	56⅜	55⅛	55¼	–1⅜
24¼	13⅞	AirFrt s			15	733	22⅞	22	22	–½
25¼	15½	Airgas			29	24	19	18¾	18¾	–¼
60¼	31⅝	Boeing s	1	1.7	24	15606	59¼	57	[illegible]	[illegible]
45	33¼	BoiseC	1.52	4.3	7	1668	36½	35⅛	[illegible]	[illegible]
9	3⅞	BoltBer	.06	1.3		89	4¾	4⅝	[illegible]	[illegible]
11	5⅝	Bond				241	5½	d 5	[illegible]	[illegible]
19⅛	8⅛	BordC pr	1.99e	20.	9	457	10⅛	10⅛	[illegible]	[illegible]
18⅞	8½	BordCh	1.99e	20.	9	234	10⅛	9⅞	[illegible]	[illegible]
38⅝	30⅝	Borden s	1.06	3.1		3480	35⅛	34⅞	[illegible]	[illegible]
19½	13¼	BCelts	1e	6.0	10	33	16¼	16⅝	[illegible]	[illegible]
22¼	16⅛	BostEd	1.62	7.9		1771	19¾	19	[illegible]	[illegible]
93	86	BosE pf	8.88	10.		z750	88½	88¼	[illegible]	[illegible]
15⅞	14½	BosE pr	1.48	9.9		16	14⅞	14¾	[illegible]	[illegible]
31⅞	22⅛	Bowatr	1.20	5.3	7	1166	23¼	22⅝	[illegible]	[illegible]
14½	7⅞	Brazil	3.07e	30.		510	10½	10¼	[illegible]	[illegible]
34	24⅛	BrigSt	1.80	4.9	180	255	32⅞	32⅛	[illegible]	[illegible]
62¼	46⅛	BrMySq	2.12	3.4	40	15654	u63⅝	61⅞	[illegible]	[illegible]
39⅛	28⅛	BritAir	2.11e	5.7	6	381	37¼	36⅞	[illegible]	[illegible]
38⅛	29	BritGas	2.33e	6.1	11	71	38½	38⅛	[illegible]	[illegible]
71	54⅝	BritPt	3.40e	5.1	11	2575	67½	66⅞	[illegible]	[illegible]
8⅞	5½	BritP wt				133	7	6⅞	[illegible]	[illegible]
25⅛	18⅞	BritSt	1.38e	5.3	5	383	u26⅛	25⅛	[illegible]	[illegible]
62¼	39⅛	BritTel	2.61e	5.1	12	771	51⅞	51⅛	[illegible]	[illegible]
12⅛	6⅝	Broadln	.20	1.9	11	682	10⅞	10⅜	[illegible]	[illegible]
32⅛	25	BHP	1.19e	3.8	13	28	29⅞	29½	[illegible]	[illegible]
32¼	28⅝	BklyUG	1.84	6.5	11	327	28⅞	28⅜	[illegible]	[illegible]
29⅛	28⅝	BklUG pf	2.47	8.7		3	28¼	28⅛	[illegible]	[illegible]
17½	11⅞	BwnSh	.32	2.0	15	60	16⅛	16	[illegible]	[illegible]
35⅛	22⅜	BrwnGp	1.60	5.6	14	192	29⅛	28⅞	[illegible]	[illegible]
44⅛	32⅞	BrwnFr	.64	1.5	23	4055	u44⅛	42½	[illegible]	[illegible]
18⅛	12⅛	Brnwk	.44	3.4		984	13⅞	12⅞	[illegible]	[illegible]
28⅞	19⅛	BrshWl	.72	2.9	29	247	25	24½	[illegible]	[illegible]
28⅛	22⅜	Buckeye	2.60	10.	9	116	25⅝	25⅛	[illegible]	[illegible]
17⅞	14⅛	BunkrH	1.64	11.		11	14⅞	14⅜	[illegible]	[illegible]
15⅜	12	BKInv	1.72a	13.	12	31	13⅝	13⅛	[illegible]	[illegible]
16⅞	12	BurlCt s			9	93	13⅛	12⅞	[illegible]	[illegible]
[illegible]										



Continued on Page 35

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
7¾	6½	RJR Nb wt				1348	6⅞	6⅝	6⅝	
14¾	6⅞	RLI Gp	.40	3.1	7	101	13⅛	12⅞	12⅞	-¼
13	10½	RMI Ti	n.09e	.9		79	11⅛	11⅛	11⅛	
17⅝	9¼	ROC	Fd.28e	3.8		1152	10¼	10⅛	10⅛	
9	5¼	RPC			21	19	8⅝	8⅝	8⅝	
6¼	5⅝	RPS	.02e	14.	7	100	6	5⅞	5⅞	-⅛
75¼	49¼	Racal	.28e	.4	31	1015	61¼	60¼	60⅝	-½
101½	77¾	RalsPur	1.65	2.4	16	1226	91¾	91	91⅛	-½
6⅞	5⅛	RangrO	.06e	1.0	20	411	6⅛	6	6⅛	+⅛
39¼	25¼	Raycm	.32	.9	23	1418	34⅞	34½	34½	-⅛
22⅝	15	RJaaaF	.24	1.2	8	8	20½	20⅛	20⅛	-⅛
30½	16⅝	Rayonr	3.60	18.	5	855	20⅝	19⅞	20	-1
85	60	Raythn	2.40	3.8	8	2959	64½	62¼	62½	-2
28½	21	RdrDg	n.12e	.5		1359	25⅛	24½	24½	-⅝
3	15-16	RdgB	n			418	2	2	2	
17	14	REIT	1.42	9.3	12	65	15⅜	14⅞	15¼	+½
16¼	13⅝	RitRef	1.72	12.	8	6	14	14	14	
12⅝	4⅛	RecnEq				400	4⅞	4⅛	4⅛	+¼
20	12⅝	Reebok	.30	1.7	11	2005	18⅛	17¾	17¾	-¼
13	7⅛	Reece	.06j			5	7½	6	7½	-¼
½	5-32	Regal				224	⅜	11-32	11-32	-1-32
18⅝	11⅞	ReichTg	1.52	13.	6	21	11⅞	11¾	11⅞	
8⅝	4⅛	RelGrp	.32	6.2	120	122	5¼	5⅛	5⅛	
25	19⅝	Repsol	n.75e	3.2		10007	23¾	23½	23½	-⅛
6⅝	3⅛	RepGyp	.18l	5.4	27	81	3½	3⅜	3½	+⅛
52⅞	42½	RepNY	1.32	2.7	346	64	48⅝	48⅛	48½	+½
11⅝	1⅛	Revco				424	2⅝	2⅜	2⅜	-⅛
30¼	18¼	ReyRey	.80	3.7	9	67	22	21⅞	21⅞	-⅛
80¼	48½	ReyMt	1.80	3.1	7	1910	59	57¼	58½	-¼
19	14⅞	RhP pfA				158	17¼	17¼	17¼	
3½	1⅞	RhnP wi				209	[illegible]	[illegible]	[illegible]	

[illegible]

AMEX COMPOSITE PRICES

4pm prices June 22

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NASDAQ NATIONAL MARKET

4pm prices June 22

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

FINANCIAL TIMES Tuesday June 26 1990

AMERICA

Dow loses steam as Canada remains calm

Wall Street

AN EARLY bounce in equity prices in *reaction to last* Friday's sharp fall soon lost steam and left the market lower throughout yesterday afternoon, *writes Janet Bush in New York.*

The Dow Jones Industrial Average closed down 12.13 points at 2845.05 on moderate volume of 134.5m shares. The *Dow closed 44.55 points lower* on Friday at 2,857.18.

Within half an hour of the opening yesterday, the Dow had recouped more than 14 points but then profit-taking set in once again. The Dow was given some support by rallies in some of its component stocks, leaving its losses more limited than, for example, the Standard & Poor's 500 index which was quoted 3.12 points lower at 352.31.

One Dow stock which did well was Philip Morris which continued Friday's rally on news of its agreement to buy most of Jacobs Suchard, the Swiss coffee and chocolate maker, for $3.8bn. Clearly, the *market has given a vote of confidence* to the strategic thinking behind the deal. Philip *Morris* was quoted $1¼ higher at $46⅝.

Among other blue chip issues, International Business Machines added $⅝ to $116⅝. Merck gained $⅜ to $82¼ and International Paper edged $⅝ higher to $51¼.

The tone of the broad market was somewhat defensive yes*terday because of weakness in* Treasury bonds ahead of an enormous amount of new supply this week. This helped prevent equities from rebounding from Friday's drop. There is also some nervousness about the volatility seen recently which can be traced to active stock index arbitrage.

Oil companies were in focus yesterday with crude oil prices still sliding in the morning. Norway announced yesterday that it was dropping oil production controls from July 1 which were put in place in an attempt to help support world oil prices. Norway said that the controls had had little effect. Mobil was quoted $⅛ lower at $61⅛. *Chevron dipped $⅜ to* $68⅞ and Exxon slipped $5⅛ to $42⅝.

Precious metals stocks did better, reflecting a firmer gold price. Newmont Gold gained $1 to $40¾ and Homestake Mining was up $⅛ at $17⅛.

One of the day's featured issues was Foxboro which jumped $12⅞ to $51 on news that Siebe Plc, a British securities systems company, had agreed to acquire the company for $52 a share.

Two companies were featured because they warned the market about disappointing earnings. The market is likely to become increasingly nervous about corporate profitability as second quarter earnings start pouring out over coming weeks. Most of this year, the market has risen on hopes of a decline in interest rates due to the slowing of the economy but has yet to show any real concern about the effect of this on corporate profits.

Caterpillar, in contrast, plunged $4⅞ to $58⅝ after projecting that second quarter *net income would fall short of* the year-ago level.

Canada

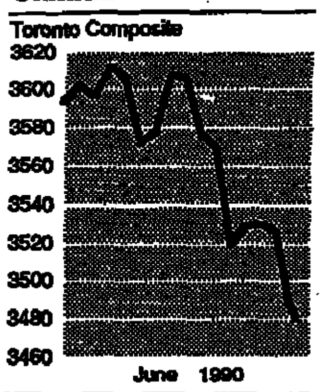
There was a calm reaction in stock markets yesterday to the failure of the Meech Lake constitutional accord. The Toronto Composite Index lost 13 points on the day, largely *following* New York.

Some early nervousness, generated by a weak Canadian dollar overnight swiftly moderated, especially after the two big US credit agencies left their ratings on Canadian and Quebec goverment and guaranteed bonds unchanged at Triple A and Double A minus respectively. Late in the afternoon the Canadian dollar firmed to around 85 cents US, and short term money market rates were stable around 13.55 per cent.

After being down nearly 11 points at noon in line with New York, the composite index near the close was down 13 points at 3,476.90.

Metals and minerals and financial services were lower.

Canada



Nova, Laidlaw, CP Ltd and Northern Telecom were among the most active and down small fractions. Volume was off sharply from Friday.

Analysts could not discern any individual stock movements due directly to Meech. John di Tomaso, equity investment manager, Royal Insurance Canada, said the market had reacted in "a ho-hum manner", and there could be some reaction later.

EUROPE

Food companies continue to attract interest

PHILIP MORRIS's agreed bid for Jacobs Suchard, announced on Friday, stirred interest in other food companies yesterday as the theme of further concentration in the European food industry was revived, *writes Our Markets Staff.*

FRANKFURT was weak in the pre-bourse, but picked up on domestic buying. It then accelerated, through a 3.18 rise to 794.91 in the FAZ index at midsession, to a final 23.29 gain *to 1,896.21 in the DAX.*

The Bundesbank monthly report said yesterday that interest rates were high enough to absorb risks and unpredictable factors emerging from German unity. The Bund*esbank's average bond yield* fell another 3 basis points to 8.92 per cent, compared with 9.01 per cent a week earlier.

Volume stayed high by recent standards at DM9.1bn, compared with DM9.7bn last *Friday. Banks gained on the* back of higher bond prices, Deutsche Bank rising DM14 to DM802.50 and BHF Bank DM10 higher at DM474.

Allianz continued last week's re-rating with a DM85 improve*ment to DM2,805; Siemens rose* DM15.70 to DM757.30, up over DM50 in a week which included its London listing. Altana, the health and baby foods group, ended DM17 to DM532, DM42 better on the *week, on takeover speculation.*

ZURICH took a breather after the Jacobs Suchard excitement. The Crédit Suisse Index edged up 2.8 to 662.6.

Ciba-Giegy, which said that present currency rates are *making it hard to maintain* profits in 1990, fell SFr50 to SFr3,380. Foods were supported by speculation that Suchard holders would reinvest their takeover cash in the sector, and Nestlé registered rose *SFr25 to SFr8,575.*

PARIS edged higher, with optimism about the outlook for interest rates outweighing worries about recent falls in the US and Japan. The CAC 40 index rose 8.35 to 2,040.08 in modest turnover *estimated* to be similar to Friday's FFr2.3bn.

Michelin plunged *after* its chairman's warning on Friday that the tyre-maker could make a loss. One salesman said that yesterday's 8.3 per cent *fall in the share price to* FFr99.20, down FFr9, could have been worse, pointing out that a few weeks ago analysts had been predicting a FFr2.5bn profit. Michelin closed above its day's low of FFr98.10, but *more than 20 per cent below its* level of just over a week ago.

AMSTERDAM was initially weak following heavy losses on Wall Street and Tokyo but was supported by advances in Frankfurt and London. Firmer *Dutch bond prices also helped.* The CBS Tendency index closed steady at 121.0, after starting 0.3 off at 120.7. Unilever rose 90 cents to Fl 158.50 after announcing it planned to buy the 50 per cent it did not *already own in Margarinbolaget* AB, a Swedish margarine firm. CSM, the sugar and food company often cited as a potential takeover target, closed Fl 1 better at Fl 84.

MILAN rebounded from a weak *start to close steady, but* volume was thin. The Comit index eased 0.34 to 745.69.

Ferruzzi Finanziaria (FerFin) and Ferruzzi Agricola withstood the weaker trend on continued merger speculation. Fer*Fin rose L5 to L2,900 and* Ferruzzi Agricola was L3 better at L2,781. After the market closed, Giuseppe Garofano, managing director of Ferruzzi Agricola, said FerFin had raised its stake in Ferruzzi *Agricola by 5.3 per cent to 66.7* per cent as of June 15, but said that the two companies were not planning to merge.

STOCKHOLM was led higher by strong demand in Ericsson, whose free B shares firmed *SKr15 to SKr1,360, on contin*ued speculation that the company was about to secure an important new order from the US for its mobile telephones. The Affärsvärlden general *index rose 3.3 to 1,280.7.*

***MADRID** picked up in the* afternoon after a lacklustre morning, encouraged by hopes of lower interest rates. Demand for utility and bank stocks helped the general index climb above the 290 level to close at *290.76, up 1.46.*

Utility shares were enjoying their seasonal rally as the deadline for qualification for their dividend payments is towards the end of the month. Iberduero gained Pta18 to *Pta700 in active trade.*

VIENNA continued to rally, with the bourse index rising 12.92 to 651.32 on domestic and foreign bargain-hunting.

ASIA PACIFIC

Weak yen and high rates put pressure on Nikkei

Tokyo

SHARE PRICES nosedived yes*terday as investors retreated* from the market in the face of further yen weakness, high interest rates and Wall Street's fall last week, *writes Michiyo Nakamoto in Tokyo.*

After plunging more than 300 points in the first 15 minutes of trading, the Nikkei average weakened further throughout the day, closing down 570.38 at 31,124.19, the day's low. The intraday high was 31,637.71. Declines led advances by a wide margin, at 904 against 120, while 100 issues were unchanged. Turnover fell to 300m shares from 350m on Friday. The Topix index of all listed stocks lost 40.04 to 2,301.02 and in London, the ISE/Nikkei 50 index fell 5.39 to 1,708.39. The second section also declined sharply.

Amid the general gloom of a weak yen and continuing high interest rates, the controversial Structural Impediments Initiative (SII) talks between the US and Japan began in Tokyo yesterday. In the past, the SII talks have sometimes prompted buying, but this time the *focus* has been more on the negative aspects of the talks, said Mr Tetsuya Fukami at Shearson Lehman Hutton.

Investors have questioned, for example, the ability of the Japanese Government to carry out the infrastructure invest*ments that the US is demand*ing, particularly with the severe labour shortage in Japan. There has also been concern that the huge increase in infrastructural investment could push inflation higher.

US complaints that Japanese real estate prices are too high fanned fears of a sharp fall in land prices. Recent moves by the Ministry of Finance to tighten its grip on loans for real estate investments have *not boded well for property* prices either, said Mr Fukami. A fall in real estate prices could lead to a sharp decline in issues that have been bought on the strength of their huge property assets.

The list of yesterday's top 10 most actively traded issues, all of which were losers, was dominated by the leading steels and shipbuildings which are heavily capitalised and tend to be worst hit by high interest rates. Mitsubishi Heavy topped the list with 7m shares and fell *Y10 to Y990.*

Toyota and Sanyo, which were recently popular for their strong earnings and specific incentives, both fell victim to heavy profit-taking. Toyota dropped Y70 to Y2,490 and Sanyo slipped Y23 to Y900.

A few high-priced electricals bucked the trend. Hirose Elec*tric, a specialist maker of con*nectors, surged Y160 to a record Y7,150 on expectations of a bonus issue in March 1991. Kyocera, the maker of semiconductor components, also gained Y70 to Y8,170 on hopes of a dividend increase.

Nintendo offered a flicker of hope in an otherwise lacklustre Osaka market, rising Y400 to Y26,700. The OSE average declined 456.74 to 34,568.00 on volume of 24m shares, down from Friday's 38m.

Roundup

PACIFIC RIM markets were mostly immune to the falls on Wall Street on Friday and in Tokyo yesterday. Hong Kong, Thailand and Taiwan rose strongly, while the Philippines was the biggest loser, as the expected profit-taking set in.

HONG KONG rose in active, afternoon trade on the news *that Fang Lizhi, a leading Chi*nese dissident, had left the country after being in the US *embassy in Peking for a year.* His departure resolves a diplomatic stand-off between China and the US. The Hang Seng index gained 26.00 to 3,276.44 and turnover rose to HK$2.34bn from HK$2.21bn.

Strong buying from European institutions powered the advance and absorbed early local profit-taking.

BANGKOK advanced on expectations of an inflow of foreign investment, after the *news that Thailand's foreign* exchange controls will be further relaxed by September. The SET index rose 23.83, or 2.4 per cent, to 1,032.54.

TAIWAN's weighted index rebounded above 5,500, the *level at which the market had* been expected to consolidate after a period of declines. The index gained 115.81, or 2.1 per cent, to 5,568.55, with financial and cement stocks leading the *rally. A typhoon had kept the* market closed on Saturday.

AUSTRALIA finished marginally firmer, supported by what some brokers described as "window dressing" buying by local funds managers, attempting to boost the value of their share portfolios by the end of the fiscal year on June 30. The All Ordinaries index rose 0.2 to 1,512.8, after trading in a narrow 9-point range.

Elders IXL was steady at A$1.74 after announcing a A$500m book loss on the sale of its 52.7 per cent stake in Elders Resources. Turnover rose to A$201m from A$178m.

NEW ZEALAND finished mixed in reaction to the news that Carter Holt Harvey, which rose 2 cents to NZ$2.78, planned to merge with Elders Resources NZFP, which lost 9 cents to NZ$1.87. CHH said it would buy a 52.7 per cent in *Elders Resources NZFP* from Elders IXL for between NZ$700 and NZ$900m. The Barclays index dropped 7.58 to 1,785.04.

MANILA declined on profit-taking. The composite index slipped to 918.93, down 26.65 points or 2.8 per cent.

SEOUL continued to fall as inflationary pressures and the tight monetary policy kept investors on the sidelines. The composite index shed 7.32 to 739.80 in thin trading.

SINGAPORE was depressed by falling markets in the US and Japan. Investors were also *daunted by* the amount of rights issues and other cash calls planned for the latter half of the year, particularly in Malaysian issues. The Straits Times index dropped 9.76 to 1,522.62. Turnover fell to *S$117m from Friday's S$137m.*

KUALA LUMPUR recovered in the afternoon as light bargain-hunting emerged. The composite index climbed 0.97 to 580.61 while volume slipped to 30m shares from 33m.

SOUTH AFRICA

GOLD shares were given a welcome boost by a firmer bullion price and a sharp fall in the financial rand. The all-gold index jumped 95 to 1,445 and the overall index rose 56 to 2,992. Vaal Reefs firmed R16 to R276.

US and Japan depress the world

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1990	Start of 1990	Start of 1990
Austria	+2.32	+4.09	+74.24	+36.68	+28.01	+37.57
Belgium	−0.89	+0.72	−2.28	−6.17	−9.78	−3.04
Denmark	−0.50	+1.64	+12.72	+4.09	−0.07	+7.40
Finland	+0.42	−1.03	−12.34	+0.09	−4.68	+2.45
France	+0.01	−4.39	+12.92	−0.75	−4.94	+2.17
W. Germany	+4.47	+2.11	+26.29	+5.77	−0.57	+6.85
Ireland	−1.74	+3.86	+19.21	+0.90	−3.33	+3.89
Italy	−1.77	+0.11	+10.88	+5.34	+1.34	+8.90
Netherlands	+0.16	+0.69	+1.17	−3.23	−8.62	−1.79
Norway	−0.27	−3.07	+20.18	+14.81	+9.22	+17.39
Spain	+2.12	+3.14	−7.62	−4.26	−5.62	+1.44
Sweden	+1.79	+5.48	+22.33	+11.85	+8.25	+14.19
Switzerland	+0.16	+3.36	+9.98	+2.21	+4.10	+11.88
UK	−0.52	+4.89	+8.90	−2.18	−2.18	+5.13
EUROPE	+0.51	+2.19	+10.33	+0.44	−2.11	+5.21
Australia	+0.89	+3.22	+4.09	−6.21	−13.37	−6.90
Hong Kong	+1.45	+5.96	+44.57	+14.36	+6.66	+14.64
Japan	−2.66	−4.29	−9.87	−20.89	−31.60	−26.49
Malaysia	+0.92	−1.63	+28.32	+0.57	−6.80	+0.16
New Zealand	−0.73	+2.06	−2.87	−7.63	−15.12	−8.78
Singapore	−0.88	−0.78	+21.48	+12.46	+7.96	+16.03
Canada	−1.65	−0.38	−4.49	−9.69	−17.67	−11.52
USA	−1.94	+0.29	+9.43	+0.55	−6.45	+0.55
Mexico	−1.93	−1.81	+124.77	+67.62	+46.97	+57.96
South Africa	−1.72	−9.61	+15.04	−2.97	−18.35	−12.24
WORLD INDEX	−1.50	−0.89	+1.98	−8.36	−18.19	−9.92

† Based on June 22nd 1990. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Ltd

By William Cochrane

DEPRESSED by a downward drift in Tokyo and declines in North America, and only slightly relieved by a livelier West Germany and Austria, the FT-Actuaries World Index fell by 1.5 per cent last week.

Japan dropped 2.7 per cent. Nomura International says that a dull week was characterised by low volumes, a weaker yen, and the contribution of higher short-term interest rates to the general murk.

Last Tuesday's announcement of a 13.2 per cent May increase in Japan's broad money supply made it unlikely that monetary policy would be eased in the short term, interest rate-sensitive stocks (ie big companies) were sold and the emphasis stayed on over-the-counter and *second* section issues.

The US began badly as profit-taking, exacerbated by waves of programme selling and a downturn in the Treasury bond market, started the *rot on Monday. It fought to* hold its equilibrium over the next three days, but index-linked arbitrage selling cracked the market's restored composure on Friday.

Europe would have been 1.2 per cent higher without an off-colour UK. It took in the week's best performer, West Germany, which climbed 4.5 per cent and pulled Austria up with it following a weak three months for markets in both countries.

There was a theory that West German domestic institutions, after staying out of the market for most of that time, decided that the end of the June quarter would look better in their books if share prices swung upwards.

Dealers got the message that investment buyers were back, even if the foreign investors which had such an impact early this year were arguably less active.

However, on a *strategic* level, Mr James Cornish of County NatWest said currency unification with East Germany on July 1 will produce angst rather than good economic news, and he does not expect a *firmly-based German equity* rally until the autumn.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY JUNE 22 1990								THURSDAY JUNE 21 1990					DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (80)	140.93	+0.3	120.57	137.86	122.69	119.51	+0.6	5.82	140.52	120.74	137.65	122.74	118.74	158.31	125.85	132.30
Austria (19)	250.66	+2.2	214.44	245.21	218.22	218.60	+2.2	1.25	245.18	210.66	239.99	214.15	213.90	285.63	193.15	123.84
Belgium (61)	149.97	−0.3	128.30	146.69	130.55	127.41	−0.4	4.53	150.37	129.20	147.18	131.34	127.93	160.02	132.11	129.58
Canada (119)	134.65	−1.5	115.19	131.71	117.21	115.29	−0.8	3.52	136.66	117.42	133.76	119.36	116.28	153.61	130.37	141.27
Denmark (33)	260.14	+0.2	222.55	254.47	226.47	225.64	+0.1	1.26	259.58	223.04	254.09	226.73	225.34	261.19	236.69	195.96
Finland (26)	136.56	+0.2	116.83	133.59	118.89	113.19	+0.0	2.42	136.32	117.13	133.44	119.06	113.19	152.29	129.99	141.62
France (125)	159.41	+1.3	136.38	155.93	138.77	140.53	+1.0	2.91	157.33	135.18	153.99	137.40	139.19	168.65	141.69	122.05
West Germany (93)	132.20	+1.1	113.10	129.33	115.08	115.08	+0.7	1.94	130.82	112.40	128.06	114.26	114.26	137.71	122.05	90.72
Hong Kong (48)	134.28	+0.3	114.87	131.35	116.90	134.22	+0.3	4.66	133.85	115.00	131.01	116.91	133.83	134.28	112.24	92.23
Ireland (17)	188.60	−0.2	161.35	184.49	164.19	166.15	−0.4	2.64	189.07	162.45	185.07	165.14	166.77	198.57	172.72	134.68
Italy (96)	107.19	−0.1	91.71	104.85	93.32	98.21	−0.4	2.42	107.30	92.19	105.02	93.71	98.62	109.26	91.85	84.41
Japan (454)	145.11	−0.9	124.14	141.95	126.34	141.95	−0.9	0.59	146.36	125.75	143.26	127.86	143.26	197.26	124.40	161.04
Malaysia (35)	229.41	+1.0	196.26	224.39	199.71	239.39	+0.9	2.25	227.21	195.22	222.39	198.44	237.22	246.32	204.15	179.35
Mexico (13)	514.11	−0.4	439.82	502.90	447.57	1604.51	−0.2	0.32	516.24	443.56	505.31	450.90	1607.77	549.86	324.53	264.33
Netherland (43)	141.32	+0.7	120.90	138.24	123.03	121.45	+0.4	4.64	140.29	120.54	137.32	122.54	121.02	145.66	130.43	120.62
New Zealand (17)	65.76	+0.0	56.26	64.33	57.25	59.52	−0.2	7.49	65.77	56.51	64.38	57.45	59.62	75.38	59.57	67.64
Norway (23)	234.60	+0.0	200.70	229.49	204.24	205.38	−0.2	1.46	234.61	201.58	229.65	204.92	205.79	245.90	202.34	182.44
Singapore (25)	205.61	+0.1	175.90	201.13	179.00	174.49	+0.1	1.94	205.46	176.54	201.11	179.45	174.36	207.93	179.70	159.26
South Africa (60)	172.47	−0.3	147.54	168.70	150.14	147.55	−1.1	4.04	172.98	148.63	169.32	151.08	149.16	251.39	170.00	146.61
Spain (42)	165.43	+1.3	141.52	161.82	144.01	129.40	+1.2	4.12	163.37	140.37	159.91	142.69	127.91	185.43	132.84	148.96
Sweden (34)	219.31	+0.2	187.62	214.53	190.93	196.91	+0.0	2.06	218.95	188.13	214.32	191.24	196.91	219.31	173.69	165.56
Switzerland (66)	105.25	+1.4	90.04	102.96	91.64	91.94	+1.0	2.24	103.80	89.18	101.60	90.67	91.02	105.25	88.75	81.29
United Kingdom (304)	166.84	+0.8	142.73	163.18	145.23	142.73	+0.3	4.75	165.59	142.28	162.07	144.62	142.28	166.84	139.87	140.35
USA (537)	143.84	−1.3	123.05	140.71	125.23	143.84	−1.3	3.36	145.72	125.21	142.64	127.28	145.72	148.55	130.61	133.62
Europe (982)	149.80	+0.8	128.15	146.54	130.42	128.91	+0.5	3.53	148.57	127.66	145.43	129.77	128.30	149.80	135.57	119.15
Nordic (116)	207.97	+0.2	177.92	203.44	181.05	176.27	+0.0	1.70	207.63	178.40	203.23	181.35	176.22	207.97	165.01	161.13
Pacific Basin (659)	144.51	−0.8	123.63	141.36	125.81	140.59	−0.8	0.92	145.63	125.13	142.55	127.20	141.75	192.75	124.63	175.93
Euro−Pacific (1641)	147.05	−0.1	125.80	143.83	128.01	136.48	−0.3	2.01	147.21	126.49	144.09	128.57	136.87	174.18	130.35	153.27
North America (656)	143.18	−1.3	122.49	140.06	124.67	141.94	−1.3	3.39	145.08	124.65	142.02	126.73	143.77	147.87	131.02	133.99
Europe Ex. UK (678)	138.06	+0.9	118.11	135.06	120.22	120.29	+0.6	2.74	136.86	117.59	133.99	119.56	119.61	139.50	124.81	105.57
Pacific Ex. Japan (205)	136.52	+0.3	116.79	133.56	118.86	121.68	+0.5	5.04	136.11	116.95	133.25	118.90	121.13	139.32	122.58	114.78
World Ex. US (1833)	147.10	−0.2	125.84	143.90	128.06	136.25	−0.3	2.07	147.33	126.59	144.22	128.69	136.68	173.77	131.30	152.85
World Ex. UK (2066)	142.67	−0.7	122.05	139.57	124.21	138.22	−0.8	2.26	143.67	123.44	140.64	125.50	139.28	162.00	130.80	145.44
World Ex. So. Af. (2310)	144.64	−0.6	123.74	141.50	125.93	138.56	−0.6	2.51	145.44	124.97	142.38	127.04	139.46	161.84	131.95	144.96
World Ex. Japan (1916)	146.10	−0.4	124.99	142.93	127.21	137.10	−0.5	3.51	146.68	126.03	143.58	128.13	137.81	147.88	134.62	127.89
The World Index (2370)	144.81	−0.5	123.88	141.66	126.08	138.62	−0.7	2.52	145.61	125.11	142.53	127.19	139.53	162.05	132.25	144.97

Latest prices were unavailabl;e for this edition.

CONSTITUENT CHANGES: At the quarter-end review meeting, it was decided to make the following constituent changes with effect from July 2 1990 : Additions: Food Lion B and McCaw Cellular (both US). Classification changes to existing constituents : Gendis to Retail-General Merchandise, Interhome Energy to Energy Equipment & Services, Lonvest to Insurance-Life, Nova Corp.of Alberta to Chemicals (Diversified), Nowsco Well to Energy Equipment & Services, Thomson Corp. to Publishing, Weston (George) to Retail-Grocery Chains (all Canada); Lin Broadcasting to Telephone Companies and Paramont Comms. to Entertainment & Leisure Time (both US).

FINANCIAL TIMES SURVEY

FRANCE

● The Jacobin tradition impedes entry into the EC Page 2

SECTION III

Tuesday, June 26, 1990

France has one of the highest standards of living in Europe, and its government boasts a creditable economic performance. But public anxieties over immigration, and the integration of Europe's single market, are contributing to an inchoate sense of unease in the Fifth Republic, writes **Ian Davidson.**

A sense of unease hits a lucky land

MOST PEOPLE think that France is one of the luckier countries in the world.

At the moment, however, the French themselves are not so sure. They are aware of all their privileges, but have a nervous sense that times are out of kilter. Perhaps it is just petulant self-indulgence, or perhaps they have a point.

By all the ordinary criteria of national welfare and quality of life, France's good fortune is undeniable, and well-earned into the bargain. France has long been favoured by climate and geography, famous for the quality of its food and drink, and a world centre of art, culture and tourism.

In contrast to the past, it also appears to enjoy a political stability, and a prosperity founded on a thorough modernisation of its economic attitudes and institutions.

France is ahead of other countries in western Europe which are riding on a wave of economic prosperity as the twin shadows of the oil crisis and the Cold War fade.

And yet France seems to be succumbing to this uneasy sense of malaise.

The source and nature of the unease is difficult to pin down and harder to explain.

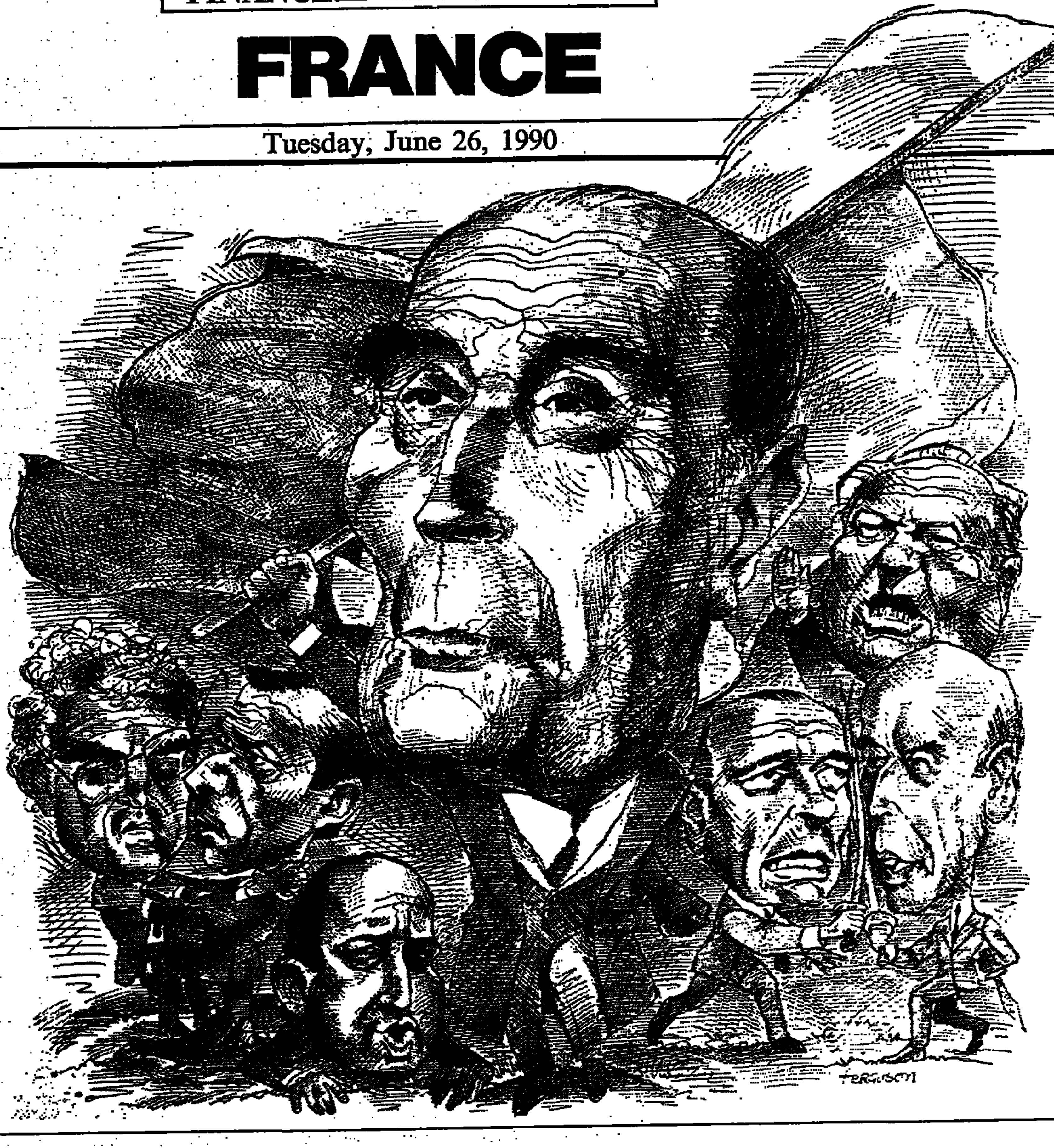
The malaise is most obvious in the field of politics, even though, by normal yardsticks, the country is being reasonably governed by responsible leaders.

The present team has a socialist label, but the country was also reasonably governed by a conservative team during the two years of cohabitation in 1986-88.

The legitimacy of alternation between right and left has become a new assumption of the Fifth Republic, and reasonable government by responsible leaders seems to have become an entrenched feature of the French political scene.

President François Mitterrand, now well into his 70s and his second seven-year term, gives daily proof of a vigour which belies his age.

Continued page 2



IN THIS SURVEY

■ **Illustrated left:** President François Mitterrand (centre) with members of his Socialist Government (from left) Mr Lionel Jospin, deputy Prime Minister, Mr Michel Rocard, Prime Minister, and Mr Laurent Fabius, president of the National Assembly; with conservative politicians on right — Mr Jean-Marie Le Pen, chairman of the far right National Front party (rear), Mr Jacques Chirac, leader of the RPR Gaullist Party, and Mr Valéry Giscard d'Estaing, leader of the centre right UDF.

Illustration by James Ferguson

Murmurs ruffle a charmed economy

President Mitterrand's Socialist Government has secured a long-term place in France's history. But division within the parties of both left and right and the rise of the National Front reflect an underlying sense of malaise, partly linked to pan-European integration, writes Ian Davidson

■ Continued from page 1

President François Mitterrand continues to carve a dominant place as one of Europe's leading and most creative statesmen, and he has given France a decisive role in the acceleration of European integration. Undoubtedly, he will have a commanding voice in the debate over future relations between east and west as the situation evolves and as France develops a policy for the wider Europe.

France's minority Socialist Government is well-established, and its steady success in managing the economy gives it a good life expectancy.

It even has a reasonable chance of staying on in office without interruption for the full five years until the next general election in 1993. This would be an unprecedented achievement in the history of the Fifth Republic.

Mr Michel Rocard's position as Prime Minister has been strengthened by his moderate and non-ideological attitude to political debate. His chances of contesting, and indeed of winning, the next presidential election in 1995, have been improved by the damaging power struggles which have undermined the prospects of his socialist rivals.

This is not to suggest that the conservative parties, if they were to win the 1993 election, could not or would not provide reasonable and responsible government. Far from it.

They are still hampered by internal divisions which heavily contributed to their defeats in 1988, but the auguries for the country's government are reasonably favourable and stable.

But there are serious problems no-one seems to know how to tackle.

The first is the worrying

The National Front has risen partly because of the large immigrant population

strength of support for Mr Jean-Marie Le Pen, leader of the extreme right-wing National Front party, which first came to national prominence in 1984.

The first round of the 1988 election, when Mr Le Pen unexpectedly scored 14.5 per cent, seemed shocking but unrepresentative. Since then, however, support for the National Front has refused to subside, and recent national opinion polls give it 12-15 per cent or even more, with much higher peaks in certain areas.

Patriotic fervour: 200th anniversary of the French Revolution

The obvious reason for the rise of the National Front is that many French people are disturbed by the large immigrant population. This is probably just part of the truth.

Primary immigration into France stopped in 1974. Since then, there has been an increase in the immigrant population, either through legal family reunion or through clandestine immigration.

Annual inflow may be about 100,000, although estimates of the number of illegal immigrants wildly range up to 300,000.

Although the number of illegal immigrants is not known, it is hard to believe that there has been an increase on a scale to justify the recent surge in popular anxiety. On the other hand, clear evidence of a serious problem is showing up in immigrant housing where there is deprivation, discrimination and growing tension.

The "respectable" political parties are showing signs of extreme anxiety while the conservative parties have moved to a naked anti-immigrant posture. Even the Socialist Government has shifted its emphasis from integration to tighter restrictions on all forms of illegal immigration.

A more diffuse explanation for the rise of the National Front is the imminent prospect of the larger European market. France has been a part of the European Community since its foundation almost 40 years ago, and no French president since General de Gaulle has jeopardised this commitment. But behind the public rhetoric, popular French reflexes were, until quite recently, instinctively nationalist and protectionist.

The Socialist Party was not really converted to the EC until the late 1970s. The Gaullist RPR party ostensibly has a longer pro-Community pedigree, but it did not accept the principles of enhanced supranationalism implicit in the Single European Act, which was negotiated by the Socialist Government, until shortly before ratification became necessary in 1986.

Since then, the Community imperative has become an increasingly dominant force in official French policy: first with the programme for a Single European Market, next with the plan for Economic and Monetary Union (Emu), and now with the additional project of Political Union.

Both sides of the French political spectrum have submitted to the economic logic of open markets, deregulation, competition, fiscal responsibility and monetary stability.

Both sides have also accepted the logical consequence of the Single Market, which calls for an unprecedented degree of monetary and economic co-operation between the member states, as well as a pooling of certain aspects of national sovereignty.

But it is possible that the logic of governments and of political leaders has moved ahead of the logic of popular politics. They may think ordinary people fear the disruptive economic impact of the new Europe, but that they may also feel that their sense of national identity is under threat.

The two explanations are not incompatible, of course.

In spite of the general strength of the French economy, many people may fear the new competitive Europe. And they will be all the more anxious if they also fear intensified competition from immigrants, legal or illegal.

In any case, there is no doubt that Mr Le Pen thinks he is onto a good thing by hammering away at every variant of the nationalist theme, whether anti-Arab, anti-Semite or anti-European.

The emotive pulling power of Mr Le Pen seems all the more potent in contrast with the milk-and-water feebleness of the "respectable" political parties. Most politicians from the traditional parties, of both left and right, suffer from at least two serious weaknesses.

Firstly, they have no political message which is simple and gripping. Instead they use ready-made phrases in the wooden language of officialdom.

The Community model is uncomfortable with the historical resonances of French political doxology

Many French politicians come from a narrow class of over-educated elite civil servants, and few seem to have the common touch.

Secondly, they sound too much like each other — because the economic logic of the new Europe compels them all to woo the middle ground. These two weaknesses are obviously connected, but they have different implications for the parties on both sides.

Right wing parties know they must unite, but the Gaullists are uncertain whether to convert to moderate rationalism in the centre, or whether to revert to popular nationalism on the right in order to recover the National Front vote.

The Socialists are divided between the obvious material advantages of managing a conservative economic policy, and the loss of popular contact with their traditional political electorate through the sacrifice of the familiar socialist dialectic.

A third cluster of problems related to economic and political integration in western Europe go deeper and to the heart of the Le Pen phenomenon and the inchoate sense of uneasiness in France.

No respectable politician in France now contests the logic of the Community model, or would seriously combat the current surge towards a more integrated Community. This tide in the events of Europe is being given added impetus from the disintegration of the Soviet order, which requires the countries of western Europe to mobilise their collective answers in every field — from economics to security.

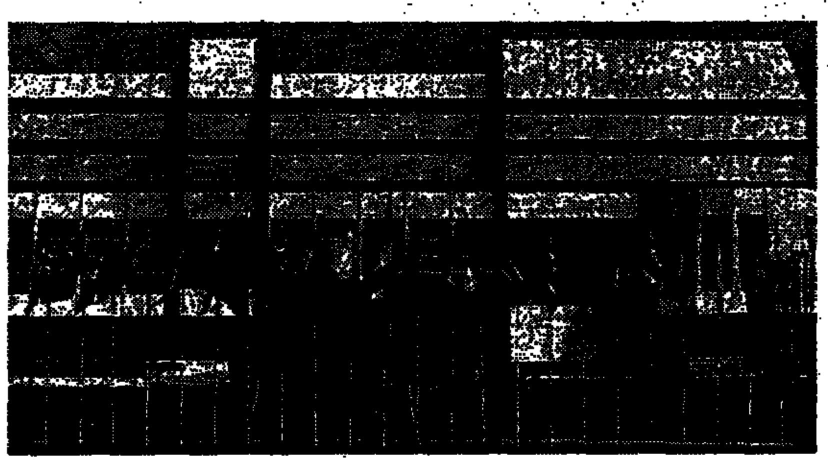
But the implications of the Community model are uncomfortably at odds with the historical resonances of French political doxology. Generations of indoctrination in the strong central state, in Jacobinism, in conformism and in corporatism has not prepared French people for the transition.

The Community model is an implicit attack on all these values. The problem with open markets is not just the threat of competition from abroad, it is also the retreat of the state; it is the replacement of Jacobinism and corporatism by diversity and individual choice.

It is not the Community, of course, which has set out to attack the Jacobin model. On the contrary, it is the Jacobin model which has proved ill-adapted to the evolution of the world economy, while the Community has provided institutional mechanisms for making the transition. Jacobinism may be well suited to a world of stability and uniformity, but this world no longer exists. It is eight years since France accepted the need to decentralise government to the grass-roots. In dealing with the problems of immigration, the French Government continues to insist on the Jacobin ideals of uniformity and assimilation. But the scale of the Moslem problem, and evidence of stress caused by the immigrant issue, suggest that this policy, and this attitude, are not working.

There is no way back to the world of Louis XIV. In any case, most Frenchmen would resist such a return, since they are far better off than they have ever been. France is adapting with remarkable success to the new rules of the economic game.

But it should not be surprising if the process of change also entails transitional political and social stresses, including the temporary eruption of the National Front. The transition is made more difficult because the modernisation of France's political institutions has not yet caught up with that of the economy.



Left: The European Parliament, Strasbourg; right: Demonstration in Carpentras, south-central France, over desecration of Jewish graves

The end of the Cold War spells change for foreign policy and defence strategy

Manoeuvres in line with a new era

THE END of the Cold War era is forcing France to focus even more energy in the field of foreign policy and defence on east-west relations in general, and on Europe in particular.

France is troubled by a series of non-European issues: the rise of Islamic fundamentalism in North Africa, especially in Algeria; pressure for emigration around the Mediterranean basin; and the apparent disintegration of corrupt and incompetent regimes in French-speaking black Africa.

But in 1990, these are secondary compared with the urgency of the end of the Cold War era.

In principle, this overhaul of foreign and defence policies should be a largely benign undertaking, for obvious reasons. Like other western countries, France can only welcome the end of east-west confrontation and the shadow of nuclear war. And yet, it is also a difficult process, since the removal of the threat also removes the pretexts for, and exposes the contradictions in, many of France's most deeply-ingrained foreign policy reflexes.

One of these reflexes is the assumption that France has a vocation as an independent global power; not a superpower, of course, nor even perhaps any longer a "Great Power" in the 19th century sense, but at least a distinct global power, spiritually, culturally and militarily.

The French empire may have come and gone, but France intends to remain an important force in the world.

This aspiration is more than nostalgia for an imperial past. In terms of population or gross national product, France is now only a second-rank industrial power. But in a world where one of the superpowers is wholly discredited, and where the other is uncertainly groping for a renovated role, even second-rank powers may be significant players on the stage.

Yet the collapse of Communism and the disintegration of the Soviet empire in eastern Europe has suddenly made more arduous the challenge to second-rank powers to assert their place and define their role. Long before the counter-revolution of 1989, France had already embarked on a slow mutation of its attitude towards the outside world, both in its civil foreign policy and in its defence policy.

In both cases, the mutation was in the direction of more solidarity with its international partners, and especially with its partners in western Europe. But this process of internationalisation was still incomplete when the world itself was turned upside down. The mutation has become more urgent, but also more difficult.

Of course, France is not alone: the whole world needs to adjust to the new era, and the adjustment dilemma is dauntingly complex in the European theatre. But the problem is particularly pronounced for France, because of its idiosyncratic relationship to Nato. France remains a member of the Atlantic Alliance, and successive French governments have insisted on their political loyalty. But for more than 20 years the French have stood aside from the integrated military structures of Nato, because of their ideological commitment to a posture of Gaullist independence.

In the past, this Gaullist principle suited the French well. It flattered their sense of national self-esteem and gave them the benefits without the inconvenience of a security system based on military integration. Through constantly stressing the national independence of the French nuclear deterrent, it may well have played a key role in stifling the emergence of a significant anti-nuclear protest movement in France.

Since his election in 1981, President François Mitterrand has increasingly recognised that Gaullism is not enough, and has sought ways of strengthening the credibility of France's contribution to European defence. This policy has led to new defence links with France's European partners, and especially with West Germany. It started in earnest in 1982, when Mr Mitterrand launched a programme of Franco-German defence co-operation.

Two years later the French and Germans jointly promoted the resuscitation of the seven-nation Western European Union defence organisation.

Since then, Franco-German co-operation has led to the formation of a joint Franco-German brigade. This has been formalised with the establishment of a Franco-German Defence Council. Foreign and defence ministers of the WEU countries hold regular joint meetings, and in 1987 they adopted a common platform on Europe's specific security interests.

It may not be possible to preserve the reflexes of Gaullism

These innovations were responses to the problems of their time, however, which were largely caused by President Reagan's unpredictable initiatives towards the Soviet Union, from Star Wars to the Reykjavik summit, and by the prolonged Euromissile crisis of 1979-1983.

The assertion of France's commitment to Europe's defence was a useful counterweight to these stresses, but the essential structures of the east-west confrontation remained as fixed as ever.

Today, however, all these structures are up in the air.

The Warsaw Pact is in a state of operational disintegration. If the Vienna conventional force talks succeed, they should almost eliminate the traditional threat of an out-of-the-blue eastern attack. Nato will be radically transformed. It may not even survive.

Western governments will start to debate the future of Nato and the Alliance during the second half of this year.

The French Government has made clear that it wants the US to remain committed to Nato with troops in Europe, and that it wishes Germany to remain in Nato after unification. But the dilemma for Paris is to decide whether France should engage in the debate so as to be a full participant in whatever emerges, or to stand aside so as to retain France's traditional independence. That decision has not yet been made.

Some senior officials forecast that the French Government will in due course make its own proposals for the reform of Nato, which could imply a guarded willingness to consider participation in a reformed structure. Others believe that the independence of French national defence is untouchable under President Mitterrand, and that he has agreed to discuss the reform of only the political Alliance.

On balance, it seems likely that Mr Mitterrand will continue to skirt round the question of Nato, if that is possible, and thus preserve France's self-image as an independent strategic actor on the world stage. It may not be possible.

The paradox is that the reflexes of Gaullism, which have proved such a durable constraint on France's defence policy for so many years, have virtually ceased to exert any role in the case of France's civilian policy towards the European Community. On the contrary, under Mr Mitterrand, France has been the prime mover urging the Community towards closer integration.

This started in 1984 with the Single European Act which instituted the mechanisms for opening up the single European market. Then came the programme for Economic and Monetary Union, scheduled to be negotiated in a new treaty. This spring there has been a parallel push for a treaty on Political Union, including security policy.

The contrast can be rationalised on the grounds that the Community is a purely European organisation, whereas Nato is not. France objects to Nato integration, largely because it is dominated by the US. But the unstated contradictions are striking.

France wants America to stay in Nato and in Europe, in order to counter-balance the Soviet Union and also West Germany. Similarly, France has stayed out of Nato in order to safeguard a role of national independence. But in the Community, it accelerates moves which would curtail the national independence of all the member states.

Some analysts believe that President Mitterrand's Community policy is moving ahead of what a significant proportion of the French population is prepared for. They argue that the prospect of a large open market, and of a politically-united Community, has helped promote Mr Jean-Marie Le Pen, the xenophobic and anti-European leader of the National Front.

Nevertheless, Mr Mitterrand gives no sign of being deterred from his impetuous pursuit of Community integration. But whether he will succeed in reconciling his defence policy with his Community policy, and if so on what terms, is perhaps tomorrow's question.

Ian Davidson

New links: President Mitterrand pictured last year with West German Chancellor Helmut Kohl

Ian Davidson on the reasons for France's rise to better economic times

The economy has shed its yoke

THE FRENCH economy is doing fine, thank you, and with every year that passes, it seems to do better and better.

Growth is good, inflation is declining, the franc is strong.

Yet these indicators of economic vigour tell only part of the story. Behind the conjunctural print-out of a healthy heart beat, there lies a story of structural transformation.

France has been going through a deeper evolution, from an economic model which was closed and interventionist, to one which is increasingly liberal, open and internationalist. In short, Mr François Mitterrand, the first Socialist president of the Fifth Republic, has been presiding over a modernisation and a liberalisation of economic attitudes in France, which may well prove to be the most enduring monument to his presidency.

Mr Mitterrand is not an economist, and he is not normally credited with intense interest in economic matters.

He certainly did not set out with the ambition of turning France into a modern, liberal economy. He would probably prefer to be remembered for the impressive array of large public buildings which have been erected during his term of office, or by the spectacular celebrations of the bicentenary of the French Revolution, which climaxed last summer with the Summit of the Arch.

But to his successors, the real monument of his presidency may well seem to be that it marked the inauguration of France as an open economy with a hard currency.

It has taken seven years to reach this point, since the moment in 1983 when the then Socialist government was reluctantly forced, by balance of payments pressures, to abandon its ill-starred experiment in reflationary socialism, and conform to the compulsions of the international market place.

From that moment on, successive French governments of both left and right have steadily pursued consistent policies of budgetary restraint at home and monetary stability abroad, in the framework of the European Monetary System.

The results of this policy have been as impressive as they have been consistent.

France has not just chalked up a growth rate which is sustainably rapid, but has repeatedly exceeded, the growth rate forecast by its own and outside economists in recent years.

In parallel, inflation has kept creeping down, steadily closing the gap with the key inflation rate of West Germany. The French inflation rate may even slide below the German this year.

Unemployment and the trade deficit, the black spots on the French economy, are even starting to improve.

French unemployment is high compared to similar industrial countries for two reasons. The first is that the Socialist Government's reflation policy of 1981-82 was a misguided and counter-productive response to the effects of the second oil shock of 1979. When it failed, the impact of France's delayed conversion to the necessary economic rigour was all the more severe.

The second reason is that France's demographic profile has remained higher than that of most other industrialised countries. The result is that France needs to create more new jobs just to maintain a stable unemployment rate.

The trade deficit in recent years became a source of anxiety in France because it was interpreted as an accusation; not merely that the French economy was less competitive than some of its rivals, but also that the competitive gap was widening.

The 1982 deficit increase was easily attributed to errors in the Government's macro-economic management. Conversely, improvement in the next four years seemed the natural reward for the return to the path of economic righteousness.

Therefore, when the trade balance started to plunge again after 1987, worrying questions were asked, since there had been no change in the continued soundness and steadiness of economic policy. A large deficit on trade in industrial goods, offsetting France's traditional surplus on food, drink and luxury goods, was one of the leading concerns. These problems have started to ease since the beginning of this year, however.

The economy's rapid growth, combined with the Government's active employment schemes, has led to a rate of job creation which has started to overtake the flow of new arrivals onto the job market. The unemployment total has started to slip below 2.5m, with a rate of 9.3 per cent.

The trade deficit, too, has started to improve since the beginning of 1990.

A deficit is still expected this year, but the better trend is consistent with earlier arguments, that the industrial deficit was partly the result of heavy capital investment by French industrial firms, which is now paying off in terms of more competitive output.

Moreover, popular French anxieties over the trade shortfall have been placed in much more reassuring perspective by the economists of the Paris-based Organisation for Economic Co-operation and Development. The OECD annual report on France pointed out that the country's trade deficit was, in fact, relatively trivial in relation to the size of the economy.

Indeed, it was this glowing report that alerted the world to the depth France's economic transformation.

Substantial structural problems remain, of course.

The total tax take in France is high by industrial-country standards, and the Government admits that it needs to come down. But tax rates will ineluctably be forced downwards as a direct result of the Single European Market.

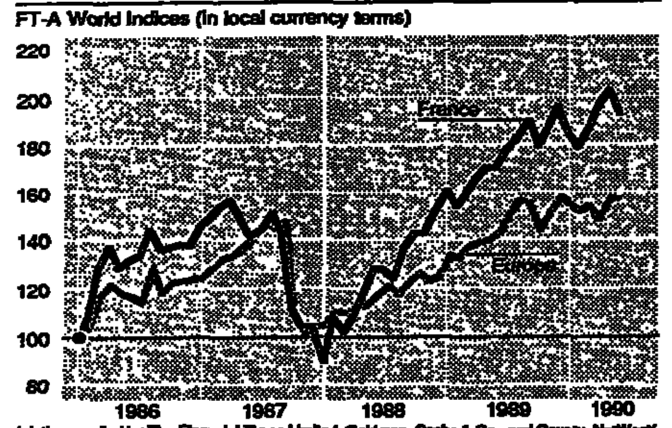
Only continued rapid economic growth will enable the Government to reconcile the twin imperatives of lower budget deficits and lower tax rates. As part of this problem, the Government is facing rising social security costs, both on pensions and on health care.

Needless to say, France still carries marked traces of its history as an agricultural, protectionist, interventionist, cartellised and politicised economy. These are apparent in the still-unresolved ideological battles over nationalisation and privatisation, as well as in the financial scandals which have ensued.

But France's problems are no different from, and may be less serious than, those of its main industrial competitors. That is itself an eloquent testimony to how far the French economy has come.

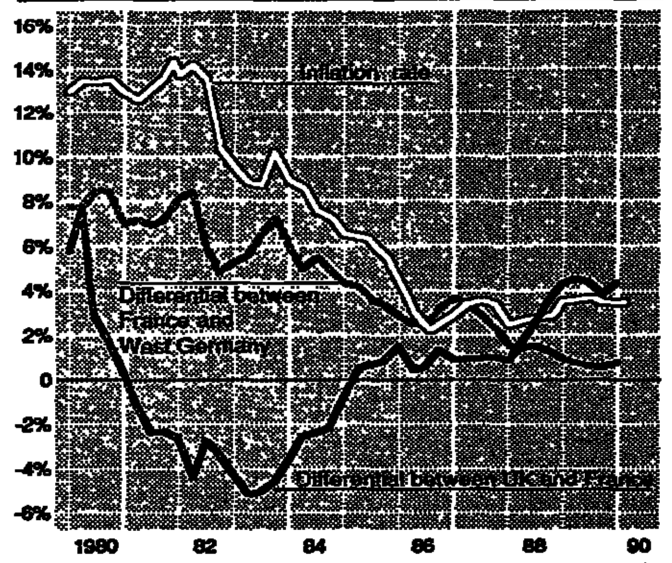
How the markets have moved

FT-A World Indices (in local currency terms)



Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

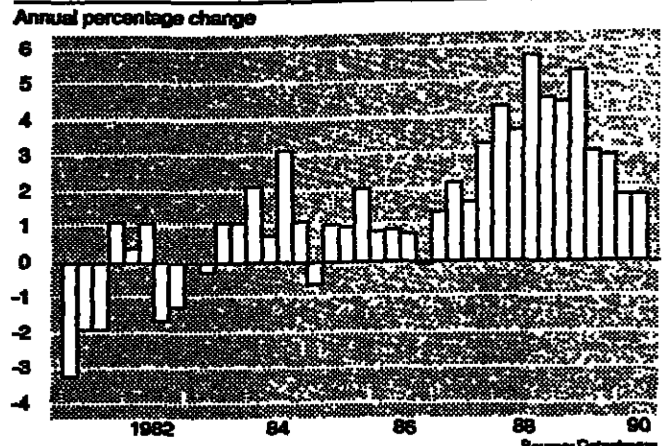
Inflation



Source: Datastream

Industrial production

Annual percentage change



Source: Datastream

George Graham sums up the national attitude to tax reform

'An old tax is a good tax'

MR Pierre Bérégovoy, the Finance Minister, and Mr Michel Charasse, his Budget Minister, are likely to have less and less room for manoeuvre as they develop France's tax policy over the next few years.

Their colleagues on the Socialist Party backbenches are becoming more and more clamorous in their desire to use the tax system as a redistributive tool and thus win back some of the party's image as a fighter against inequality.

This image has somewhat been tarnished after years of economic rigour.

The constraints on budget policy are tight.

Firstly, the Government is intent on reducing its budget deficit to FFr70bn over the next two years. This is linked both to its broader economic policy, based on a strong franc, and to the rapidly mounting burden of debt service charges.

This year they amounted to FFr126bn, or more than 10 per cent of the central government budget.

Secondly, France needs to harmonise several of its taxes because of the Single European Market. French rates for value added tax, the most important government revenue source, have already been reduced and will have to be cut further.

Savings taxes have also been aligned downwards, in order to avoid the flight of capital to lower-taxed EC countries.

Mr Charasse estimates that France is committed to cut FFr20bn off taxes by 1993 in the interests of European harmonisation. Much public sector spending, however, is out of the Government's hands.

Since the decentralisation law of 1982, tax levies for local authorities as a proportion of GDP have increased by 1.1 percentage points, while central government taxation has diminished by 1.2 percentage points.

Over the same period, social security levies have increased by 1 percentage point of GDP. Social security spending, particularly on health and pensions, is spiralling, but the Government has little control over it because of the way the French system is set up as a partnership between unions and employers.

Would-be tax reformers come back, time and again, to income as a potential tax base

Although Mr Bérégovoy has announced a comprehensive review of the tax system, the one thing on which all concerned are agreed is that a radical fiscal reform, like that undertaken in the US by President Reagan, is to be avoided.

French politicians learn in their cradles the adage: "an old tax is a good tax."

"It is better to adapt the tax system rather than to consider an illusory 'gala tax reform,'" Mr Charasse said in a recent debate on budget policy.

The piecemeal approach to tax reform, however, has the disadvantage of leaving untouched some politically-sensitive areas.

Income tax is one of these areas. It was recently singled out, along with local taxation, by the Organisation for Economic Co-operation and Development, as a prime candidate for overhaul.

France derives more revenue from income tax than any of its major partners, yet it has one of the most complex systems in the OECD area.

It has a bewildering variety of deductions to favour families with children and 12 rate bands, more than any large economy except Spain.

The tax threshold is so high, and the rates so steeply progressive, that 1 per cent of France's households pay 27 per cent of all total income tax, and one in 10 households pay 64 per cent.

This structure makes it difficult to increase rates, because for the few who pay income tax – 46.5 per cent of households pay none at all – marginal rates are already severe.

Yet the obvious alternative of widening the number of people who pay is also difficult. This is because the exempt, although not paying income tax as such, are nevertheless heavily taxed through France's stiff social security contributions.

At the same time, finance ministry officials are reluctant to move to Pay As You Earn, suggested last year by Mr Michel Rocard, the Prime Minister – an alternative proposed by the OECD as one way of obtaining a more efficient income tax system. They are convinced that it would lead to a round of inflationary wage demands.

The difficulty of touching the tax structure leads to the paradox of a socialist government preferring high VAT rates – degressive in their impact on the population – to more progressive direct taxes.

All the same, would-be tax reformers come back, time and again, to income as a potential tax base. Socialist backbenchers, against the will of the Finance Ministry, recently pushed through a reform of local taxation.

They voted for the portion of the housing tax which goes to departments, some FFr11bn out of the total FFr42bn levied by the tax, to be based on income, not on rental values as at present.

On a larger scale, the Government plans to introduce a "social solidarity contribution" instead of some of the current social security payments. It would be levied on total income, whereas ordinary social security payments are calculated only on salaries, and are also subject to a ceiling.

What excites the backbenches most of all, however, is the prospect of overhauling and, if possible, increasing capital taxation, especially since taxes on many forms of investment have been cut to align with neighbouring EC states.

All agree that a radical fiscal reform, like that undertaken in the US, is to be avoided

After the reintroduction of the wealth tax in 1988 – expected to yield just FFr5.2bn this year – Mr François Hollande, a Socialist MP, this month delivered a parliamentary report calling for a higher threshold for the payment of inheritance taxes, but a much lower threshold for the taxation of capital gains, currently exempt up to FFr298,000 a year.

Mr Hollande's recommendations are viewed as moderate.

Although the Finance Ministry somewhat resents having its hand forced, it appears to have prevailed in its determination to avoid a "gala tax reform."

Tax rate comparisons (all %)

Country	Top Inc tax	Corp tax	Stand VAT	Other VAT
France	57	37, 42	18.6	5.5, 25
W Germany	53	50	14	7
Italy	50	36	19	4, 9, 38
UK	40	35	15	0
US	28	15, 25, 34	-	-

Source: OECD

Tax revenues 1988 (percentage of total)

	Income	Company	Soc sec	Capital	Goods, services	Other
France	12	5.5	43.2	4.9	29.5	4.9
W Germ	28.9	5.3	37.4	3.1	25.2	0.1
Italy	22.7	13.8	33.5	3.6	25.8	0.6
UK	20.7	16.7	18.4	12.9	31.3	-
US	36.2	8.1	28.8	10.2	16.7	-

Source: Finance Ministry

Car makers Renault, Peugeot and Citroën prepare for 1992

The changes on the road ahead

FRANCE'S CAR industry, western Europe's largest, has come through a year of tremendous change, fitter than ever to negotiate several tough challenges on the road ahead.

State-owned Renault, both test bed and battleground for the Government's industrial policy, and Peugeot plus Citroën, which together comprise France's biggest private company, are more healthy than they have been for years.

They need to be, given the shocks in store from the competitive impact of the Single European Market and the long-expected weakening in European car demand.

Renault has shrugged off the last vestiges of the government-guaranteed "regie" status that has cushioned it from competition since the last war; won an advantageous compromise in a long row with the European Commission over the legality of a FFr12bn debt write-off; and struck a wide-ranging alliance with Volvo, the Swedish car maker.

For the first time in its life, Renault has been made to look and behave like a car company competing under ordinary commercial conditions.

Renault's transformation began under the last right wing government. But its completion by the Socialist administration – greeted with howls of dismay by a much-weakened CGT Communist-led trade union – is a telling sign of the vein of liberal economic thought running through the Government, as well as the determination of the car maker's management.

Peugeot and Citroën have had an almost equally dramatic 12 months. The group overcame the effects of its worst-ever wage strike and brought to the market two highly successful new executive models, the Peugeot 605 and the Citroën XM. It reported a year of record profits – its fifth straight year of earnings growth.

The turnaround of this formerly near bankrupt giant, engineered by the forceful Mr Jacques Calvet, Peugeot's chairman, is now history. The prosperous and aggressive Peugeot is now setting its sights in Mr Calvet's next target – to move from European number three to become the region's biggest car maker by 1993.

But overshadowing the recent ebullience of France's big three car makers are two serious challenges.

The first is the expected onslaught of Japanese competition, which both Mr Calvet and Mr Raymond Lévy, his counterpart at the wheel of Renault, accept they can delay but not block.

Sensitive to their increasingly urgent pleas, the French Government has emerged with Italy as the European Community's toughest proponent of temporary EC-wide protection against Japanese imports.

The automobile industry provides one of the few exceptions to the French Government's liberal policies.

Along with electronics and textiles, it is an industry where the administration feels it has a duty to defend national strategic interests at almost any cost.

Perhaps this is also a reflection of the fact that an estimated 10 per cent of the country's workforce work directly and indirectly in car manufacturing – a heartland of the Socialist electorate.

Peugeot and Renault argue they are not ready to face the Japanese, even though enormous progress has been made in automation, general productivity and efficiency through painful restructuring in the mid-1980s. They want Japan's EC market share to be held at its present level of 9-10 per cent until Community car makers have achieved at least half that market penetration in Japan: probably in about 10 years time. This European quota should also include the growing number of Japanese cars assembled in the EC, they say.

Most of the European car industry is behind them, but the European Commission and the 12 EC member states are making painfully slow progress in settling their long-standing differences on this sensitive issue, despite heavy lobbying by the usually persuasive Mr Calvet.

The problem gets more urgent for France every day that 1992 draws nearer.

The French industry's concentration on volume car manufacturing makes it possibly Europe's most direct competitor against Japan. And the abolition of internal EC trade barriers in 1992 should theoretically render unworkable France's current bilateral quota, limiting Japanese imports to 3 per cent of the French market. Japanese imports could then arrive in a car-quota free country like West Germany for delivery to French dealers on the other side of the barrier-less frontier.

The other cloud on the horizon is the outlook for the European market, which seems to be nearing the end of a growth period that outlasted the most optimistic forecasts.

French car registrations rose 2.6 per cent from 2.21m vehicles to 2.27m in 1989, a record volume that reflected an end-of-year sales rush sparked by the Government's decision to cut VAT on cars from 28 per cent to 25 per cent. It was the second VAT cut since 1987, when French cars were taxed at 33 per cent, among the highest in Europe.

However, that is a feeble growth rate compared to earlier year's registrations and it also came with a worrying rise in the market share of foreign – mainly West German and Italian – cars, from 36.8 per cent in 1988 to 38.1 per cent last year.

Overall, registrations increased in the first three months of the year, although a 6.5 per cent drop in April has confirmed the worst fears of some. This is a "serious warning shot," Mr Lévy said in a recent interview: "The good years are behind us ... The trading results of Renault and perhaps other manufacturers will be less good than in 1989. We have already started to feel it in the first four months," he said.

Peugeot's two marques hold 33 per cent of the French car market which underpinned the recent 16.4 per cent rise in net annual profits from FFr8.8bn to FFr10.3bn on turnover up by 10.5 per cent from FFr138.4bn to FFr153bn.

Renault, with a 29 per cent share of the domestic market, reported a 5.2 per cent rise in net consolidated profits last year, from FFr8.83bn to FFr9.29bn. Earnings at group level slipped backwards to FFr8.8bn, from the previous year's record of FFr8.9bn, because of losses in the US division of the group's truck-making subsidiary.

The French car making trio's main suppliers are already tightening their belts for the expected market slowdown.

Michelin, the world's largest tyre maker, announced early this year that it would freeze non-essential investment and hold this year's stocks at 1989 levels. Valeo, France's main motor components supplier, recently announced plans to close 15 plants and lose around 3,000 jobs from its 34,000 workforce. "We are in a period of consolidation," said Mr Noel Goutard, Valeo's chairman.

Another challenge ahead is the need to meet the whole raft of tough new EC rules on exhaust pollution. These will most affect French producers' traditional territory of small and medium-sized cars, where they are expected to cause average price increases of 10 per cent. Until recently, Peugeot and Renault were divided on the response, with Mr Calvet, a critic of the EC rules, leaning towards the development of lean burn engines which he argued were more efficient than the catalysts preferred by Mr Lévy, who accepted the EC rules as inevitable.

Peugeot and Renault have launched a joint state-sponsored FFr1.2bn research programme over the next eight years – a tripling of the research they now devote to clean cars. Study areas include two stroke engines, alternative fuels like natural gas, hydrogen and oxygen, and electric cars. It is one of the most ambitious collaborative research efforts ever undertaken by French car producers and a fresh recognition of the shared interests presented by the challenges ahead.

William Dawkins

MARSEILLES
Skill And Character.

It takes two hours to drive to Marseilles from the Côte d'Azur. The rocky coast, covered in pine trees, is beloved by yachtsmen because it is cut by deep, long creeks, or calanques.

Marseilles is the Mediterranean's largest port and one of Europe's important industrial centres. The surrounding region is more pastoral, but full of history and art. The Roman ruins at Nîmes and Arles. The Van Gogh landscapes. The Camargue, with its marshes and wild horses.

Big ships and big factories moulded the personality of Marseilles. The city's industrial base is very diversified. Shell, BP, Arco in petrochemicals. Aluminium-Pechiney. Comex, the world leader in ocean drilling and exploration. Many software firms have sprung up in nearby Aix-en-Provence, while 33% of the civil helicopters exported in the world are manufactured by Aérospatiale, the biggest high tech firm in the Marseilles area. The range of businesses extends from a large nuclear industry to the most modern farms.

With 3,600 full-time researchers, Marseilles is one of the leading European cities in industrial R & D. Firms can obtain space at the famous research centre of Luminy, or at the new technopoles of Chateau-Gombert and Arbois, tapping into such advanced research labs as the International Institute of Robotics and Artificial Intelligence.

Marseilles has many things to offer. Good telecommunications. An international airport with direct flights to New York and major European cities. Good schools and universities. Truly beautiful natural scenery close at hand.

And the character and zest of Marseilles and its region.

FRENCH RIVIERA
The Bright Way.

The movies have yet to communicate this reality, but the French Riviera is becoming a world centre for telecommunications and technological research. Over 70 multinationals are there, including DOW Chemical, IBM, Rockwell, Texas Instruments, DEC, and Nestlé.

Sophia-Antipolis, the famous Science Park near Antibes, already represents 700 companies and 11,000 jobs. The Park is about to double, covering a total area half the size of Paris. Over 25,000 experts from many nations will be conducting research, mainly in telecommunications, data processing, electronics, and pharmaceuticals. Sophia Antipolis III and IV will be built by the end of the century.

The Riviera also has 30 other business sites and ample plant and office space, all at competitive rates. A scenic highway links all coastal areas, and the Nice-Côte d'Azur International Airport — already France's second largest — has direct flights to the U.S. and Canada as well as major European cities.

The Côte d'Azur's economy is growing by 10% a year, compared to 3.5% for all of France. But this growth is being carefully monitored to honour the Riviera's beauty and minimize pollution.

Employees of the 55 American firms sited on the Côte d'Azur know the advantages of living and working there. Beaches on one side, the Alps on the other. First rate schools and universities. 40 museums and three symphony orchestras.

In the 21st century the French Riviera will undoubtedly be a technological showcase, but it will still be the French Riviera with 300 days of sunshine a year.

FRANCE
Regional Vigour.

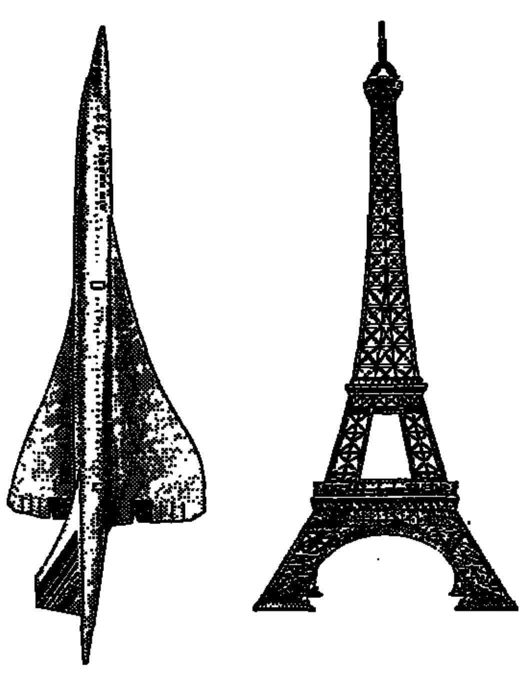
France is the heart of the new Europe that will be born on January 1, 1993. It is the place to be for a foreign firm that wants to operate in that unified market.

But France is also a country of 55 million freedom-minded individualists, and twenty-two regions that mirror the dynamism of the French people. No two regions are alike. All are historically interesting and culturally rich.

An association exists to help international companies sort out the pros and cons of France's regions. Its acronym is FRIEND (French International Enterprise Development Association). FRIEND works for the benefit of foreign investors, in conjunction with the Ministry of Industry and Regional Planning. It also coordinates its activities with an umbrella organization at the national level called DATAR which in specific cases can offer tax and other incentives to foreign companies investing in France.

Here are brief sketches of four of France's regions and the opportunities they offer.

HIGH·TECH·HIGH·LIFE



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GRENOBLE ISÈRE
Success Is No Chance.

Located at the foot of the Alps, the area has motorways leading north and south from Paris and Geneva to Marseilles and Barcelona, as well as east and west from Lyon to Milan. The three national airports - Grenoble, Lyon and Geneva - provide frequent international flights. The famous "TGV" links regularly Grenoble to Paris in three hours.

One of the significant advantages of the Grenoble-Isère region is the quality of its exceptionally well-educated and highly-skilled workforce. The area has three universities, and eight engineering schools with a total of 36,000 students.

With such a pool of talent, it's hardly surprising that so many research institutes have decided to locate here. Among the most notable of these, which employ about 8,000 people, are the Grenoble Nuclear Research Centre, the Data Processing Technology and Electronics Laboratory and the Max Von Laue-Paul Langevin Institute.

Last, but not least, the European Synchrotron Radiation Facility is setting up researchers and plans to host 2000 scientists a year. Grenoble is the largest R&D concentration in France, after Paris.

International companies have also been drawn by Grenoble Isère attractiveness and quality of life. Cap Gemini Sogeti, SGS Thomson, Hewlett-Packard, the Open Software Foundation, to name a few, have located their operations in Grenoble.

The world-leading US workstation computer manufacturer, Sun Microsystems, has just decided to install near the city its International Centre for Network Computing.

NORD PAS-DE-CALAIS
The Tunnel Gateway.

The Nord Pas-de-Calais is strategically placed to provide a platform for businesses determined to exploit the opportunities of the single European market after 1992.

Situated at the heart of western Europe, with close links with the dynamic economies of Rhineland Germany, Benelux and the South-east of England, the region is ideally situated to provide access to the European Community's 320 m consumers.

The region's communications infrastructure is unequalled. The Nord-Pas-de-Calais already has six motorways running north-south from Amsterdam to Paris and east-west from the channel port of Calais through to Reims.

By May 1993, when the channel tunnel is completed, the region will represent the golden-hub of the European TGV high-speed train network. The Nord Pas-de-Calais will benefit from the additional traffic generated by the tunnel. The operators expect between 30 m to 40 m passengers and 15 m tonnes of freight to pass through the tunnel in its first year. And the ferries, hovercraft and aircraft which carried 67 m passengers in 1988 will, of course, continue to operate. Lille, the region's capital, will soon be offering direct train services capable of 190 miles per hour to destinations such as Brussels, Amsterdam, Paris, Cologne and London.

In addition, the region will provide direct 50 minute services to Charles de Gaulle airport, Europe's second largest and fastest growing international airport.

A highly-educated, efficient and well-motivated workforce is at your disposal in the Nord Pas-de-Calais. The region boasts five universities - which have a bias towards science and technology subjects - as well as 19 schools of engineering and colleges of technology.

At the heart of this exceptional region is the European Business Centre at Lille. The city is planning to provide offices, shops, homes and a World Trade Centre on a 110 hectare site located right next to the TGV station. The first phase, consisting of 55,000 square metres, will be ready in 1993.

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JEAN-MARIE BUTIKOFER

In Paris, a French farmer stands under the Louvre Pyramid with his cow to protest on milk quotas imposed by EC regulations.

Agriculture: **Bridget Bloom** on the Government's action plan

A curb on intensive farming

THE LONG journey from Paris south west to La Rochelle and Rochefort takes you through the huge wheat fields of the famous Paris Basin, where rich soils and intensive farming, backed by generous subsidies from Brussels, have helped turn France into the European Community's premier cereal producer.

South of Rochefort the scene is dramatically different. There are wheat fields, but they are small and yield less well. Cheek by jowl with the traditional low-lying pastureland, they look incongruous as they push up even against the seashore itself.

Changes in the way the Paris Basin is farmed are unlikely in the next few years, but if schemes about to be introduced elsewhere succeed, the conquest by arable crops of the low-lying *marais* of France's south-west coastal region will be halted.

France is belatedly waking up to the need to protect fragile environments from the plough, fertilisers and pesticides. In what Mr Henri Nallet, Minister of Agriculture, describes as "a new frontier for farmers," the Government has recently announced an action plan to make French farming more environmentally sensitive.

The centrepiece of the plan involves the designation of more than a dozen special environmental protection zones along the lines of the environmentally sensitive areas introduced by Britain three years ago – and falling under the same EC legislation.

The canton of Rochefort Nord, embracing about 6,000 hectares of the polder-like *marais*, is one of these. The others are mainly in the Massif Central and in the south.

However, Mr Nallet insists that the new "green" plan will cover many factors. In a recent interview he projected a general, if voluntary, campaign to reduce the use of nitrate fertilisers by as much as 30 per cent in the next three to four years. He also hopes to encourage a reduction in pollution from livestock effluent, primarily in the interest of purer drinking water, as required under EC directives.

Projects to maintain the quality of food through more judicious use of pesticides and other chemicals will be included. The Government also intends to encourage organic farming and the more extensive farming of livestock in areas threatened with "desertification," the word used to describe the combination of human depopulation and destruction of landscape by encroaching bush or forest fires which is beginning to be a feature of many of the country's least favoured areas.

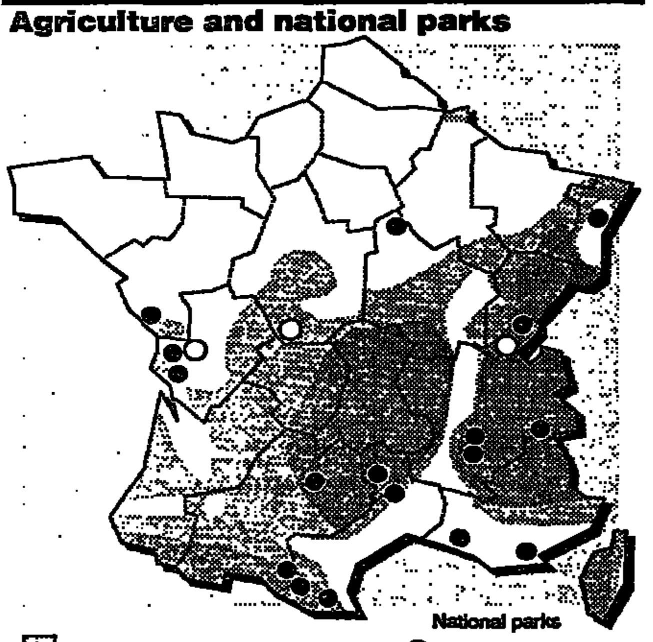
Mr Nallet, who announced the green plan on April 24, acknowledged that France was behind several northern EC states in seeking to introduce more environmentally friendly farming.

Although he maintained that his ministry has been studying the possibility of introducing environmental protection measures for at least a year – and had in fact designated four of the special protection zones towards the end of last year – he acknowledged that a sudden surge of public interest in environmental issues this spring had "precipitated" his announcement.

For a long time, "perhaps because of national characteristics or our culture," France had been less sensitive to environmental questions than Britain, he said. "We felt we were relatively less seriously affected by pollution."

Several factors had combined to change this, including growing public awareness of the severity of the drought of the last two years, as well as the increasing awareness of food safety issues, ranging from salmonella and listeria in cheese to the recent fracas over the safety of beef.

Agriculture and national parks



Clearly, however, an additional factor was the public row in March precipitated by Mr Nallet's Cabinet colleague, Mr Brice Lalond, the Minister of the Environment, who accused French farmers of being big polluters and called for action to improve their record.

Critics accuse Mr Nallet of being long on rhetoric and short on action. So far, they say, all he has done is belatedly to indicate that France intends to apply EC regulations which permit – or in some cases actually insist – on measures enforcing greater environmental control on farming, usually in return for compensation for farmers.

These range from article 19 of regulation 797 of 1985 which allows the establishment of environmental protection zones to the much tougher rules in prospect on water pollution by nitrates.

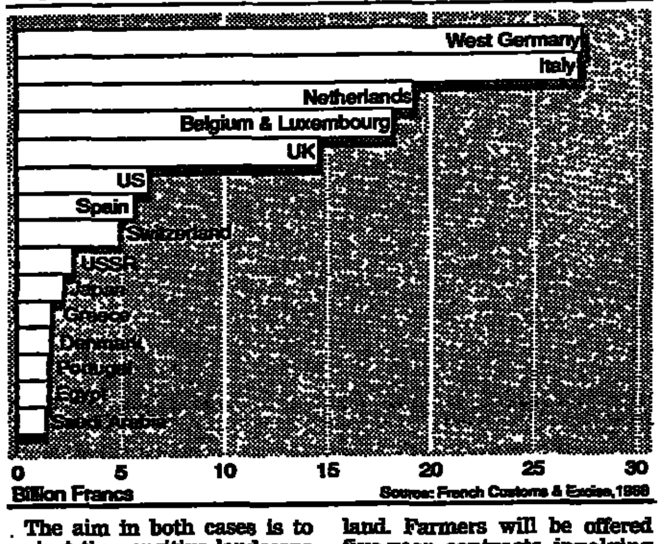
Certainly, French officials in charge of the new environment programme admit that France lags behind Britain, which established 19 environmentally-sensitive areas three years ago and this summer is setting up a dozen experimental nitrate-sensitive areas.

Mr Henri Nallet, Minister of Agriculture, speaks of "a new frontier for farmers." Critics accuse him of being long on rhetoric and short on action.

"We are still in the laboratory," says Mr Jean-Marie Michelet, president of the Chamber of Agriculture in the Department of Charente Maritime and thus intimately involved in the creation of the special protection zones in the *marais*.

These two projects – the one north of Rochefort and another covering 18,000 hectares centring on the 17th century fort of Brouages – illustrate some of the distance still to be travelled.

Agriculture: principal importers



The aim in both cases is to protect the sensitive landscape and soils and thus also the wild life of the *marais*, much of which was under the sea only 300 years ago. Most of the *marais* was subsequently reclaimed for low intensity pasture, first for horses for the military and more recently for beef and dairy cattle – the area is famed for its high quality butter.

However, the *marais* is now in danger, largely because of much more extensive drainage schemes began in the 1970s and early 1980s when generous grants were available through the EC. It is this drainage which has resulted in today's fields of wheat, maize and sunflowers and in a drastic reduction in traditional pastures.

As conceived, the two *marais* projects are designed to maintain the present precarious balance between traditional and improved pastures and arable land. Farmers will be offered five-year contracts involving compensation of up to FFr1,100 a hectare to maintain traditional pastures provided certain rules concerning the use of fertilisers and pesticides are obeyed. Apparently, there will be no aid to reconvert wheat fields to pasture, as is given in some British schemes.

Farmers in the area say that the money on offer, which is about half the average rate offered in the UK, will probably attract only the most marginal farmers.

Critics of the scheme point out that, because it is voluntary, it may be difficult to apply – over 20 different organisations, representing arable and livestock farmers as well as fishermen from the coast and oyster farmers and even hunters were among those so far consulted about the scheme. Their co-operation will be essential, once the project receives the approval of the Commission in Brussels, to make it work.

It is too early to tell whether the Rochefort projects, or those elsewhere, will take off, let alone whether possibly as many as 50 new ones, which officials now mention in longer-term plans, will follow.

French farmers, reared on the need to maximise production, speak disparagingly of becoming "park keepers."

On the other hand, France badly needs policies to help ameliorate the toll of intensive farming on the countryside as well as arrest "desertification" which is beginning to affect so much of the central Massif Central and the remoter southern areas.

In an interview nearly two years ago, Mr Nallet said France had two distinct farming sectors: that which was or should be competitive with the best of the rest of the EC, centred in the north of the country; and (with the exception of the wine growing areas) that in the south and west.

"You could draw a line from Nantes in the west through Montargis and Strasbourg in the east and everything south of that could become a great national park," he said, only half jokingly.

Mr Nallet's preoccupation in the past two years has been to make France's competitive agricultural sector more so and to alleviate the problems of the rest. His task has been complicated on the one hand by a downturn in the fortunes of farming as a whole because of the reforms of the Common Agricultural Policy and on the other because of the age structure of France's farming population.

Although some 7 per cent of the active working population is still on the land (compared to under 2 per cent in Britain) more than half of those estimated 1.5m people are over 50 and have no actual or willing successors – a phenomenon which underlies much of the desertification.

Mr Nallet's domestic reforms are aimed at easing restrictions on farm size; simplifying tax and pension systems by aligning them to those prevalent in the rest of the economy; and at improving the ability of co-operatives to raise investment finance.

The reforms are stymied, however, over what is probably the most important measure – the proposal to abolish the complex system of land taxes which bears heavily on many of the poorer and smaller communities. The problem is primarily political, since local governments depend on the tax for much of their revenue, and the Finance Ministry is not apparently keen to examine alternatives.

Mr Nallet himself has come under increasing fire from farmers' organisations over the past few months for his alleged failure to act effectively on their behalf as they feel the effects of the reforms of EC farm policy introduced in the mid-1980s. Although officials figures show that farming income overall rose by just over 8 per cent last year, income had remained stable or had actually declined in the previous seven years. Last year's rises were occasioned partly by increases in production but more through an increase in prices, notably for oil seeds, wine, calves and pigs.

Recently farmer discontent has been fed by the continuing effects of the drought, together with declining prices for beef and lamb and, above all, with the effect of the farm gate price settlement agreed by the EC farm ministers last April.

French farmers say this left them at a competitive disadvantage to their British counterparts.

Mr Michel Rocard, the Prime Minister: "Whatever the weather over the coming weeks, water resources this summer will fall short in certain regions . . . the overall position is now considered more serious than at the same time in 1989."

Drought hits maize crop

THE DROUGHT which has affected much of France over the last 18 months may already be having a semi-permanent effect on cultivation.

According to the French farmers' union, the FNSEA, farmers have sown 14 per cent less maize this year compared to last and have stepped up their plantings of sunflower and sorghum.

The principal reason appears to be that these crops need approximately a quarter of the water needed by maize.

The areas most at risk, according to a special inter-ministerial group set up to monitor the drought, are towards the north of the country with a pocket in the central region.

Mr Michel Mousel, in charge of water at the Environment Ministry, warned last month that it might soon be necessary also 'to sound the alarm bells' in the centre of the country.

France had a marked shortfall in rainfall last winter on top of shortages in 1988-89 and, according to Mr Michel Rocard, the Prime Minister: "Whatever the weather over the coming weeks, water resources this summer will fall short in certain regions.

"The drought group estimates that in the period from November to April, when water reserves are normally replenished, only the west, north-east and parts of the north had their normal rainfall.

"The overall position is now considered more serious than at the same time in 1989."

Although lower prices for maize have had an impact on the farmers' decision, the main reason for the shift in crops appears to be drought.

Irrigated maize, about a fifth of the total, needs between 200-400mm of water a hectare compared to sunflower and sorghum which needs 50-100mm.

Bridget Bloom

William Dawkins on the country's TGV ambitions

A rail hub for Europe

FRANCE is bolstering its claim to make its rail networks into an important European transport hub with an ambitious investment programme for its celebrated Train à Grande Vitesse (TGV).

A multitude of new lines is now being planned to place Paris at the centre of the European high-speed rail network of the future.

Whether this will really reinforce Paris's claim to be a major European capital or simply force it to compete more directly with other capitals, remains to be seen. Either way, a top priority of the SNCF, the French rail board, and the Government, is to make the TGV the heart of Europe's modern rail networks.

Today, the TGV is riding high in French public opinion, shown only last month by the public acclaim which greeted the achievement of a new world rail record of 515.3 kph by an only slightly modified trainset – well over half as fast as an Airbus jet.

The success of the nine-year-old Paris-Lyons line, which cut the journey time between the capital and France's second city to just under two hours, has prompted the SNCF, the French rail-board, to open a second TGV link, due to start full services this autumn.

Further ahead, the French Government is considering a FFr158bn outline plan, drawn up jointly by the Transport Ministry and Mr Jacques Fournier, the SNCF's president, to build another 3,500km of TGV lines and rolling stock.

The plan is a reflection of future needs, from which the Government will pick possibly two immediate priorities, rather than a firm construction programme.

But even so, very few railway authorities in the world can even begin to think on this scale, a telling illustration of the importance the TGV occupies in French transport policy. It certainly elicits wistful comments from officials and customers of British Rail, for one.

The scheme, due for a final Government decision by the end of the year, is the first such planning exercise for the TGV. It proposes 14 new lines, from which the Government is expected to select a 430km line east of Paris to Strasbourg and a 344km extension to the existing Lyons route, southwards to the Mediterranean coast.

This is on top of the link from Paris to the Channel Tunnel, with branches to London and Brussels, which has already been agreed and is due to come into service in 1993.

The Strasbourg line has one of the poorest profit forecasts of any of the projects in the TGV plan, but it is seen by the Government as a politically important key to strengthening Strasbourg's increasingly challenged hold on the European Parliament and other prestige European institutions.

The final routes will be decided through negotiation between the Government and local authorities, some of which, typically in the north, are vying with each other to attract the TGV to help their local economies. Others such as in Provence, see it as an unwelcome environmental threat.

"Everyone wants a TGV station, but nobody wants the line," mourns Mr Michel Delebarre, the Transport Minister, a sentiment that echoes the problems found by British Rail in choosing a route through Kent for its Channel Tunnel express link.

The Paris-Lyons line has shown that the TGV is both more profitable than expected as well as helpful to economic activity, except for domestic air travel, against which it competes.

On average, the Paris-Lyons line now sells between 20m and 30m seats a year, far more than the 3m to 4m needed to break even, according to Professor Alain Bonnafous, head of Lyons University's Transport Economy Department, which advises the Government's rail planners.

Some industries in and around Lyons originally saw the TGV as a mixed blessing – welcome as a prestige project but unwelcome as making it easier for Paris-based companies to compete against weaker rivals in the region. Yet in the event, passenger records indicate that the line has helped companies in and around Lyons win business in the capital.

The number of journeys by Parisian businessmen to Lyons has risen – by 52 per cent – since the line opened. But business traffic the other way, from Lyons to Paris, has gone up far more, by 2.4 times, according to Prof Bonnafous.

He reckons something like half of the increase comes from former air and road travellers. But the rest is genuinely new traffic, suggesting that the TGV might have helped shift some economic power from Paris to Rhône-Alpes.

If that analysis is right, the new lines now being planned could further erode the central national position of Paris to the benefit of French regions, as well as enhancing the capital's importance as a European transport hub.

Not only is France waging the battle for a strong position in Europe's modern rail networks, but it is also promoting the TGV trains themselves. The SNCF and GEC-Alsthom, the Franco-British engineering group, are pushing their locomotives as the technological model for Europe and other export markets.

A modified GEC-Alsthom TGV has been chosen by British Rail and the SNCB, the Belgian rail board, to link their capitals with the Channel Tunnel, while Spain has also ordered TGVs for the high-speed line due to open between Madrid and Seville in 1992.

Meanwhile, South Korea, Canada, California and Texas have all made inquiries, attracted by the TGV's commercial and technological performance.

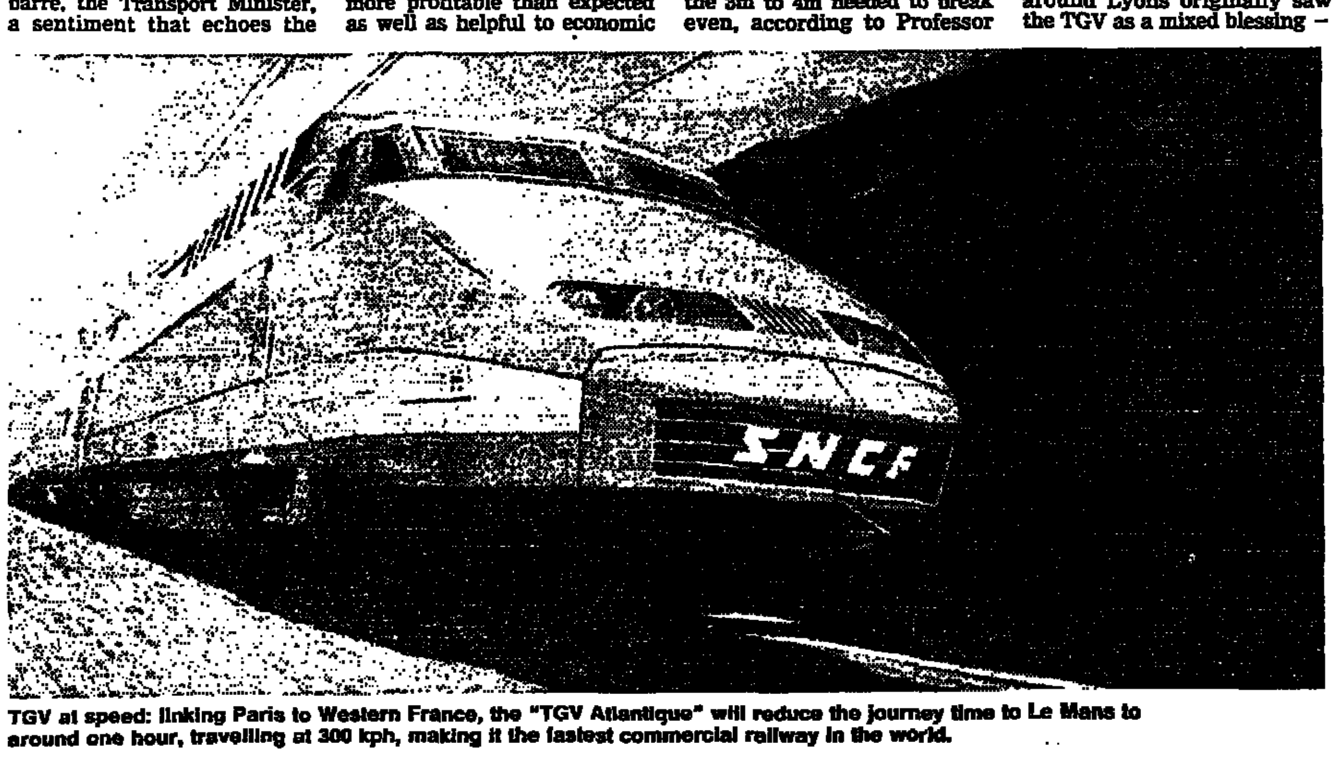
To maintain the TGV's edge against foreign competitors, such as Japan's ageing Shinkansen and West Germany's more expensive Inter-City Express, France has recently launched a FFr535m five-year research project. This is separate from the SNCF's larger investment plan and is jointly backed by itself, two government ministries and GEC-Alsthom.

Its target is to lift the TGV's top commercial speed from 300 kph to 350 kph, a technologically difficult achievement since it requires a 25 per cent increase in power with a minimal increase in weight.

It will also need to run on the four different standards of electrical current now in use across Europe's rail networks, have much stronger brakes and pressure-sealed carriages.

Whatever the technical challenges, it is significant that the SNCF is already devoting so much to the renewal of what many people already think of as a very modern train.

It shows that the TGV, from being an experiment between Paris and Lyons in 1981, has fully come of age as today's standard bearer of French transport policy.



TGV at speed: linking Paris to Western France, the "TGV Atlantique" will reduce the journey time to Le Mans to around one hour, travelling at 300 kph, making it the fastest commercial railway in the world.

William Dawkins assesses the fall in military spending in the aerospace industry

The civil sector takes centre stage

LIKE ITS counterparts in Europe, France's aerospace industry is still searching for the final balance between the growing civil aviation market and shrinking demand from the defence industry.

The tension has mainly been a beneficial one, although analysts are divided on how much further it has to go.

The decline in military demand, the traditional source of sales and the motor for research and development, has made urgent the industry's search for international partners, and forcing it to quickly restructure to focus on the buoyant civil market.

As an illustration of the market's complete change, civil sales reached 47.5 per cent of the French aerospace industry's turnover last year. This compares with a mere 30 per cent at the start of the 1980s.

The civil sector provided the thrust behind the industry's increase in sales to FFr93.4bn last year, 12 per cent more than in 1988, as well as being the main feature in a 22 per cent rise in order books.

The main lift has come from the commercial success of the Airbus family of passenger jets, assembled by state-owned Aerospatiale, the world's tenth largest aerospace group and a leading partner in the four-nation Airbus consortium with a 37.9 per cent stake.

It also owes something to the marketing successes of the ATR commuter aircraft, built jointly with Aeritalia, the Italian aerospace group.

All this allowed France's aerospace companies to record a combined FFr38bn trade surplus last year, one of the few French industrial sectors to do so.

However, there are one or two, probably short term, clouds on the civil horizon, mainly surrounding Airbus.

Aerospatiale estimates that the 17-week strike at the British Aerospace wing-making factory will cost Airbus at least $300m this year. The impact of the dispute over safety with the Indian Government following the crash of an A-320 at Bangalore in February has also not been evaluated.

Meanwhile, the Franco-Italian ATR programme will have to pay dearly for the recall of 130 ATR-42 commuter aircraft, following fears of premature cracking in the junctions between the wings and fuselage.

Aerospatiale and Aeritalia are likely to have to devote two years and $50m to modifying the aircraft, so pushing the programme's break-even point further into the future.

But these are irritations rather than catastrophes.

The influence of civil markets is clearly illustrated by the fortunes of the main players.

Aerospatiale doubled its order books last year when civil sales reached 56 per cent of the total: only the second time in the company's history that they have exceeded military activities.

A newly-confident Snecma, the state-owned aircraft engine maker, has reported its first annual profit for three years, chiefly thanks to fast growing civil orders for the CFM56-5C engine it makes jointly with General Electric of the US for Airbus and Boeing.

Civil sales accounted for 75 per cent of Snecma's turnover, and military activities the rest — the reverse of the pattern of the company's activities 10 years ago.

Family-run Dassault, the celebrated producer of jet fighters, has found it more difficult to diversify.

This is a reflection of the Government's continuing belief in the need for France to have its own independent advanced fighter aircraft as well as what many analysts see as Dassault's own excessive faith in being able to survive on a limited but technically well regarded line of jet fighters.

Dassault thus continues to be heavily reliant on military sales, which accounted for 78 per cent of turnover last year.

Even so, it has dramatically cut its costs in recent years and pushed its Falcon family of business jets, so that they should, according to Dassault's plans, account for 35 per cent of turnover by the mid 1990s.

Dassault is pinning its hopes for a military future on the development of the Rafale, which made its first test flight with the new ultra-light Snecma M88 engine in February and is due to enter service in 1996.

Rafale has come under criticism from those who see no need for a second military super-jet on top of the one being developed by four-nation European Fighter Aircraft consortium.

It has not yet attracted international partners and is one of several French military equipment projects criticised by experts, including Mr François Heisbourg, director of the International Institute of Strategic Studies. They say it is unnecessarily expensive and ill-suited to Europe's changing political situation.

Nevertheless, few observers believe the French Government is likely to drop its commitment to this high prestige project, nor that it will attempt to force Dassault into a merger with a stronger partner like Aerospatiale.

Overall, the picture is of a flexible and adaptable industry, well up to the mark in the international alliances sweeping across the aerospace world.

About 40 per cent of all French aerospace work is undertaken in collaboration with international partners, according to Gifas, the industry organisation.

Most notable among foreign aerospace alliances in the last year has been the long term co-operation agreement between Lockheed of the US and Aerospatiale. This has yet to produce practical results, but it underlines both companies' recognition of the general importance of expanding international alliances.

Further ahead, there is the joint Aerospatiale-British Aerospace feasibility study, announced last month, into a new generation of supersonic passenger aircraft to succeed Concorde early next century.

The US and West Germany have both said that they will co-operate with the study, demonstrating their recognition of the fact that for all the present strength of the civil market, the market can only support one supersonic passenger aircraft.

However, the most specific alliances have been in defence, where the pressures to pool activities have been greater.

This includes the merger of Aerospatiale's helicopter activities with those of West Germany's Messerschmitt-Bölkow Blohm, an illustration of the partners' realisation that Europe does not need four helicopter producers in the face of the long-term squeeze on defence budgets.

The new company, known as Eurocopter, is due to be start operating in France by the end of the year, with a FFr10bn annual turnover, making it the world's second largest helicopter maker after Sikorski of the US.

The partners had been talking since 1987, but the French Government wanted to see the West Germans join in with a separate European programme to build a military transport and tactical helicopter, code named the NH90, before signing the Eurocopter deal in April.

Also in the military sector, there is the merger of the missile systems businesses of the state-controlled Thomson-CSF electronics group and British Aerospace.

This will create what will be Europe's largest cross-border defence equipment company by the time the venture, named Eurodynamics, it is operating at the end of this year.

At the same time, the French Government has been encouraging a certain amount of concentration and rationalisation between domestic companies.

Only two years ago, Aerospatiale and Thomson-CSF pooled their flight electronics businesses to form the largest European group in that speciality.

This was followed last year by the Government's consent for a joint satellite-making venture between Alcatel, the privately owned electronics group, and Aerospatiale.

The common drift in this whirlwind of activity in France's aerospace industry is that the movement towards a greater concentration on civil markets — which are themselves getting fiercely competitive — appears to have a way to go.

Meanwhile, the process of concentration among the players on the military side of the aerospace industry is still in full swing.

CFM56-3 engines assembled at General Electric's Ohio plant

DECENTRALISATION

A bloodless revolution

FRANCE is in the midst of a second bloodless revolution.

Much more gradual than the first, it is turning one of Europe's most highly centralised nations into one of the least centralised.

The process began in 1982, less than a year after President François Mitterrand took office, and was heralded by Mr Pierre Mauroy, then Prime Minister, as the big event of Mr Mitterrand's seven-year term.

Many laws and official texts have since been adopted to establish the rights of local authorities, their powers and the relationship between them and central government.

The volumes stand a foot high and will soon be even higher. A new bill, still in draft form, should be on the statute books by the end of the year.

One of the principal aims is to reduce the number of "communes." France has about 36,000 of them, more than all the other 11 European Community countries put together.

France clings to the tradition of its communes more vigorously than its neighbours. This is why Mr Pierre Joxe, the Interior Minister, scrapped the idea of forcing mergers and decided to encourage voluntary co-operation through so-called communities of communes and large towns.

A first attempt to cut numbers by force in the 1970s failed. Belgium, West Germany and the UK were streamlining their administrative structures too, but nowhere was the opposition as fierce as in France.

Many of the marriages have since ended in divorce with the result that three or four new communes have been created every year.

"Independence is so firmly rooted politically in the communes that we realised it would be impossible to compel them to join forces," explained Mr Pierre-Rene Lemas, director general of local authorities at the Interior Ministry.

Mr Lemas has been involved in decentralisation since the beginning. He helped Mr Gaston Deferre, the former Interior Minister, prepare the first piece of legislation in 1982, and is one of the architects of the latest bill.

The new legislation is also designed to decentralise the state machinery, to give the people a bigger voice in local politics and to protect the rights of local politicians.

Not that a precarious existence has been much of a deterrent to office holders.

Since the French were banned from holding more than two elected posts at once in 1985, several have given up their seats in the National Assembly in order to keep local ones. They have often opted for places on the *Conseil General*, the ruling body of the *departement*, which is third out of four in the administrative pecking order, after central government and the region and before the commune.

The former President Valéry Giscard d'Estaing is the most celebrated departure from the National Assembly because of the two-only rule. He resigned his seat in favour of the Auvergne Regional Council and the European *Parliament*.

Politicians' choice no doubt reflects the shift of power. The large French cities, such as Paris, Lyons and Marseilles, have the power that wealth brings. But the big winners are the departments. The president of the General Council, instead of the state representative or prefect, is now the chief executive, and departments have been given more new responsibilities than either regions or the communes.

For example, the departments run the health and welfare programmes which account for an average of 55 per cent of their budget throughout the country.

However, the departments do not hold much of a place in the perceptions of French youth. In a nationwide poll conducted among the under-18s last year, an overwhelming majority said the most important elected posts were those of President of the Republic and mayor.

Looking further ahead, though, experts believe the regions will predominate as European integration progresses. They predict that inter-regional infrastructure and *economic development issues*, both within the same country and across borders, will become the focus of attention as frontiers between the 12 EC members disappear.

One problem is the complex and contested finances between the state, the 22 regions and the 100 or so departments and the communes which the Joxe Bill does not address.

For Prefect André Terrazzoni, a reform of the local tax system is the key. This is "the second stage of decentralisation, without doubt the most important, but the most difficult to achieve," he wrote three years ago.*

"Everyone knows that he who pays commands, (so) the question remains whether local authorities' real independence and their power would not be accomplished by a . . . decline in state funding," he wrote.

At the moment, local authorities are financed from taxes; from payments for responsibilities taken over from central government based on actual spending; and from operating allocations. The allocation is indexed on the Government's *value added tax revenue*, and is growing faster than the budget as a result of healthy economic growth. There is talk of changing the ground rules, which local politicians resent.

They believe their constituencies should benefit from the good times just as they suffered from the bad when the economy was not performing as well.

The spread of grassroots democracy may be a target of decentralisation, but local authorities with a right-wing majority complain they have their hands tied by the unrealistic laws imposed on them.

For a while, they reached their own compromises with left-wing oppositions and the Prefect, but now they say the letter of the law is coming to the forefront.

Other criticisms of decentralisation include increasing corruption at local level and waste of resources.

An assessment of what has happened to decentralisation is clearly necessary, and should not be far away.

The Government plans to set up an Institute of Local Authorities at the end of this year or in early 1991, whose first task will be to carry out a stocktaking of the decade.

Barbara Casasus

**La Décentralisation à l'Epreuve des Faites by Andre Terrazzoni (Librairie Generale de Droit et de Jurisprudence)*

George Graham analyses the effects of the Government's privatisation/nationalisation policy

Companies learn to live within bounds

IN HIS re-election manifesto in 1988, President François Mitterrand laid down a doctrine on the future of France's nationalised companies.

Privatisation must end, he said, but there would be no renationalisation of the 12 groups sold off under the right-wing government of Mr Jacques Chirac in 1986-88.

The doctrine of neither privatisation nor nationalisation, which came to be known as the "ni ... ni ...," had an apparent simplicity and clarity. Within weeks, however, it became clear that the reality was going to be neither clear nor simple.

The division over the "ni ... ni ..." was not always along party lines, but it came to dominate the debate on industrial policy.

For one side, the obvious need of many state-owned companies for fresh capital made it inevitable that, sooner or later, the Government would have to relent and start at least partial privatisations. For the other, state companies could exercise their ingenuity to find new funding techniques, but the letter of the President's doctrine must not be infringed.

The financing problem was a real one, both for banks and for industrial groups. In their efforts to meet new international capital adequacy ratios, Banque Nationale de Paris or Crédit Lyonnais were at a disadvantage to their privatised competitor, Société Générale, which could raise new equity with relative ease.

In the industrial sector, state groups like Pechiney and Rhône-Poulenc had embarked on ambitious acquisition and capital investment programmes, especially in the US, with the encouragement, but not the cash, of their state shareholder.

Funding was found, but the expedients used have their drawbacks.

"The French public sector seems to be adopting, almost systematically, what some claim to be the former defects of the private sector: capitalism without capital, cascades of holding companies, capital without voting rights, independent co-opted managers, closed financing clubs," complained Mr Roger Chinaud, an Opposition senator, in a report on nationalised industry.

Nevertheless, the concentration on the "ni ... ni ..." debate has concealed the fact that a working arrangement over the status and role of the state sector has been achieved.

At the end of 1988, when Mr Pierre Bérégovoy, the Finance Minister, gave his blessing to a stock market raid led by Mr Georges Pébereau on the recently-privatised Société Générale, private sector businessmen were deeply anxious about the Government's intentions and about the likelihood that it would use state-owned financial institutions to intervene in the market.

In the event, the Société Générale affair was to prove decisive in creating the new *modus vivendi*. The refusal of Mr Jean Peyrelevade and Mr Michel Albert, heads of the two main state insurance companies, to back the raid staked their claim to autonomy from the Finance Ministry.

The private sector's acceptance of the current equilibrium owes much to Mr Peyrelevade, in particular; one of the architects of the 1981 nationalisations, he has now become for many the symbolic guarantor that the nationalised institutions will play by the market's rules.

"If he were just Jean Peyrelevade or just the chairman of UAP, he would not have the same influence. It is the combination of the man and the position that is important," says one senior private sector banker.

At the same time, the heads of many state-owned companies, who three years ago dreamt of being next on the privatisation list, have decided that it is rather comforting to have the state as shareholder to protect them against the threat of takeover.

Even the funding problem has to be seen in perspective.

Mr Bérégovoy points out that in the last 24 months, FFr183.4bn of fresh capital has been supplied to public sector companies. Of this, only FFr13.8bn came from state cash injections, and FFr21.1bn from the write-off of debts. On the other hand, FFr34.3bn came from the financial markets and FFr85.7bn from reinvested profits.

"This makes the debate on the state's role in industry look a bit outdated. Our policy was described as financial acrobatics, but it succeeded, and it was not perilous at all," Mr Bérégovoy concluded.

The debate over the "ni ... ni ..." doctrine has, in fact, served as a smokescreen to an active, and even aggressive industrial policy carried out by France's nationalised companies.

Even more than the private sector, French state-owned banks and industries have strenuously developed their European strategies. For example, steel maker Usinor-Sacilor with the acquisition of Saarstahl in West Germany and a series of deals strengthening its core products and shedding others where it was less competitive; Crédit Lyonnais building a European banking network with acquisitions in Belgium, the Netherlands and Italy; or UAP, with substantial stakes in Belgium's Royale Belge insurance or the UK's Sun Life.

Nationalised companies have also taken advantage, like private sector companies such as BSN or St Gobain, of a window of opportunity which has left French companies, both because of their strategic impulses and because of objective financing advantages, among those best-placed to make substantial acquisitions in North America.

The most active has been Rhône-Poulenc, whose spending spree recently culminated with the purchase of the Rorer pharmaceuticals group for $1.7bn. Others have not been left behind, however. Included are Elf Aquitaine, the oil major, with its $1.05bn takeover of the Pennwalt chemicals company; Pechiney with the $1bn acquisition of American National Can; or, on a much smaller scale, BNP's $40m purchase of Central Bank in California.

While foreign takeovers passed without challenge from the exegetists of President Mitterrand's "ni ... ni ..." pledge, the doctrine has been sufficiently relaxed to allow some substantial acquisitions by state companies within France. The most striking example came earlier this year when Air France paid FFr3.8bn for UTA, its only significant French rival on international routes, acquiring in the process control of Air Inter, the dominant French domestic airline.

The deal is still under close scrutiny from Sir Leon Brittan, the EC competition commissioner, but in France there was hardly a cry of "rampant nationalisation" to be heard.

The last 12 months have even seen the re-emergence of a state effort at sectorial strategy, with the reshuffle of the various nationalised chemicals companies. This ended in the break-up of Orkem – once the consistent loss-making offshoot of the state coal mining group, Charbonnages de France, refocused and returned to profit in the last two years – and the division of its businesses between the rival state oil groups, Elf and Total, both of which have been actively developing their chemicals divisions.

Nevertheless, the structures of the state sector have appeared to be excessively rigid in recent years – partly because of total concentration on the privatisation process in 1986-88, and partly also because of the desire to respect the autonomy of each company's management – at a time when the private sector has undergone radical restructuring and concentration in the face of the opening-up of the European single market.

Two important questions remain unanswered, however. Can the current harmonious working arrangement with the private sector last? And what does the Government really have in mind for the state sector?

The working arrangement rests to a large extent on a handful of influential managers in the state and private sectors. Mr Peyrelevade, for example. Some businessmen believe that there is so clearly no alternative to the market economy that the Government has no choice but to respect the autonomy of its appointees. Others are more circumspect.

"For the moment, the fashion is for autonomy, and the chairmen of nationalised companies know that the best way to have their contracts renewed is to make profits. One cannot rule out, however, the possibility of a future government or a future generation of state company chairmen have a different idea of their role," comments one leading private sector businessman.

The Government's policy for the nationalised sector poses the more fundamental problem of what justification there is for maintaining state ownership. With a few rare exceptions, such as high definition television, there is little evidence of the Government's will to use the state sector as an instrument for policy aims, or even that its attitude as shareholder allows nationalised companies to escape from "short termism" and excessive concentration on quarterly earnings.

Most chairmen of nationalised companies say that their criteria for return on investment are identical to those of their private sector counterparts.

"What is the purpose of state ownership if the state sector's time horizons for return on investment are no longer than the private sector's?" asks a former senior adviser to the Socialist Government, rejecting the argument that protection against foreign takeover represents an adequate justification for nationalisation.

It is in this context that the need of the state sector for capital may force the "ni ... ni ..." debate to the forefront again. If the Government has no industrial policy in mind for the companies it controls, why deny them access to the stock market when they need to raise funds?

When the state sector's need for equity becomes too pressing to ignore, will the Government decide that it has a different role to play, or will it conclude that it behaves so like any other shareholder that partial or even total privatisation would make no difference?

LEADING FRENCH COMPANIES

Company	Main sector	Chief executive	1989 sales FFr bn	1989 net profits FFr bn	Ownership	Stock Market capitalisation end April FFr bn.
Peugeot SA	Cars	Jacques Calvet	153	10.3	Private	43
Renault	Cars	Raymond Lévy	174	9.3	State	–
Elf Aquitaine	Oil	Loïk Le Floch Prigent	150	7.2	State	72
Usinor-Sacilor	Steel	Francis Mer	94	6.8	State	–
CGE	Electricals	Pierre Suard	144	4.9	Private	62
Navigation Mixte	Holding	Marc Fournier	8	4.7	Private	27
France Telecom	Telephones	Marcel Roulet	94	4.5	Administration	–
Saint Gobain	Glass	Jean-Louis Beffa	66	4.3	Private	37
UAP	Insurance	Jean Peyrelevade	94	3.4	State	–
Pechiney	Aluminium	Jean Gandois	88	3.3	State	–
Rhône-Poulenc	Chemicals	Jean-René Fourtou	73	3	State	–
LVMH	Drinks	Bernard Arnault	20	2.9	Private	58
BSN	Foods	Antoine Riboud	49	2.7	Private	44
AGF	Insurance	Michel Albert	38	2.6	State	–
IBM-France	Computers	Pierre Barazer	41	2.6	Foreign	–
Thomson-CSF	Electronics	Alain Gomez	34	2.6	State	16
GAN	Insurance	François Heilbronner	87	2.5	State	–
Michelin	Tyres	François Michelin	55	2.4	Private	14
Axa-Midi	Insurance	Claude Bébéar	45	2.3	Mutual	–
Lafarge-Coppée	Cement	Bertrand Collomb	30	2.2	Private	22
Total	Oil	Serge Tchuruk	108	2.2	State	19
CEA Industrie	Nuclear	Philippe Rouvillois	34	2.2	State	–
Air Liquide	Gases	Edouard de Royère	28	1.8	Private	33
Victoire	Insurance	Jean Arvis	51	1.8	Private	–
Générale des Eaux	Water	Guy Dejouany	99	1.8	Private	49
L'Oréal	Cosmetics	Lindsay Owen-Jones	27	1.8	Private	31
Pernod-Ricard	Drinks	Patrick Ricard	17	1.5	Private	15
La Poste	Mail	Yves Cousquer	66	1.5	Administration	–
SLN	Nickel	Yves Rambaud	4	1.3	State	–
Carrefour	Retail	Michel Bon	74	1.2	Private	22
BP France	Oil	Raymond Bloch	23	1.2	Foreign	7
Béghin-Say	Sugar	Jean-Marc Vernes	37	1.1	Foreign	10
Havas	Media	Pierre Dauzier	19	1.0	Private	24
Ciments Français	Cement	Pierre Conso	13	1.0	Private	11
Cerus	Holding	Carlo de Benedetti	n.s.	1.0	Private	11
CMB Packaging	Packaging	Jean-Marie Descarpentries	21	0.9	Private	15
Schneider	Electricals	Didier Pineau-Valenciennes	48	0.9	Private	15
Sanofi	Pharmaceuticals	Jean-François Dehecq	17	0.9	State	18
Valeo	Car parts	Noel Goutard	20	0.9	Private	8
Air France	Airline	Bernard Attali	40	0.8	State	–
Canal +	Television	André Rousselet	5	0.8	Private	16
BANKS AND FINANCIAL INSTITUTIONS						
Caisse des Dépots	Financial institution	Robert Lion	1,428	4.6	Administration	–
Crédit Agricole	Retail bank	Yves Barsalou	1,400	4.5	Mutual	–
Suez	Merchant bank	Renaud de la Genière	725	4.1	Private	62
Société Générale	Commercial bank	Marc Viénot	1,017	3.6	Private	37
Paribas	Merchant bank	Michel François-Poncet	807	3.4	Private	46
BNP	Commercial bank	René Thomas	1,143	3.4	State	–
Crédit Lyonnais	Commercial bank	Jean-Yves Haberer	1,220	3.1	State	–
Compagnie Bancaire	Financial services	Andre Levy-Lang	221	1.1	Private	13
CIC	Commercial bank	François Cariès	433	1.0	State	–
Crédit National	Long term credit	Paul Mentré	113	0.8	Hybrid	7

Ian Davidson views the political landscape

Old parties' appeal slips

BY MOST conventional indicators, the politico-economic situation in France should be set on a predictable and stable course for several years. *But there are peripheral* signs which suggest that the underlying situation is not all that stable, that the traditional political parties may need to rethink their policies and their rhetoric, and that if things are out of kilter; the constitution may be partly to blame.

In the short run, the conventional indicators are not necessarily *wrong. The Socialist* government of Prime Minister Michel Rocard looks likely to remain in power without too much difficulty until the general election of 1993. The absence of an absolute majority in parliament is a handicap, but is largely compensated for by the divisions within the right and centre-right opposition, as well as by the reluctance of the Communists to vote the Socialists down.

The prospect of continuing rapid economic growth should be a major electoral asset for the Government, especially when it is achieved through conservative economic policies which the right-wing opposition cannot easily attack.

By the same token, a change *of government would* be unlikely to result in a major change in policies. A conservative ministry would no doubt revive the privatisation programme which was interrupted by its electoral defeat in 1988, and it might also rescind the Socialists' wealth tax; but in most other respects the conservatives would be unlikely to make vast changes in the economic agenda of the Socialists.

A similar consensus between left and right would be likely to ensure continuity for the Socialist Government's strongly pro-European policy.

The Gaullists are beginning to back away from some of the most far-reaching aspects of the long-term goal of economic and monetary union, such as the creation of a single European currency; and some of them would be touched on a raw nerve if the question of a more integrated European defence became a live issue.

But none of the respectable parties, whether of left or of right, has cast any serious doubt on the broad principles of President Mitterrand's pro-European policy, notably the twin planks of liberal markets and stronger Community institutions.

The appearance of stability on the French political scene is made flesh in the stability of the cast of characters.

On the left, Mr Rocard has for *many* years been the youthful darling of the French public, always about to challenge for the top spot, never quite challenging. Through luck, judgment and patience, he now appears virtually certain to be the favourite to take over from Mr Mitterrand *as the Socialist* party's standard-bearer in the 1995 presidential elections.

The prospect of continuing rapid economic growth should be an electoral asset for the Government, especially when achieved through conservative economic policies the right-wing opposition cannot easily attack

On the right, the faces are even more familiar. Mr Jacques Chirac has twice run for the *presidency, and twice lost.* As leader of the Gaullist party, he seems likely to run yet again. Former President Valéry Giscard d'Estaing seemed condemned to the wilderness after he was defeated by *Mr* Mitterrand in the 1981 presidential election. But with remarkable courage, he has climbed back from the bottom to firmly establish himself astride the UDF umbrella grouping of centre-right parties.

Both these elder statesmen proclaim the obvious truth, that the right must be united if it is to have a serious chance of getting back into power. But neither is yet prepared to surrender the leadership to anyone else. Younger politicians, both in the Gaullist party and *in the UDF, have made various* unsuccessful attempts to break the grip of Mr Chirac and Mr Giscard on the established party machines.

In the spring of 1989, a dozen young politicians led by Mr Michel Noir, the Gaullist mayor of Lyon, embarked on a half-hearted attempt to set up a cross-party "reformist" movement embracing both the Gaullist Party and the UDF. But they were soon cowed by the party bureaucracies.

This spring Mr Noir has made a new attempt to create an inter-party group, with the title *La Force Unie*, in partnership with Mr François Léotard, leader *of the centre-right* Republican Party. But there is no sign that they are succeeding in shaking the established party machines.

On the contrary, it seems evident that Messrs Chirac and Giscard will both be determined to run in the 1995 presidential election, excluding all their younger rivals. On current polls, however, neither would have a chance of beating the Prime Minister.

Mr Rocard's presidential prospects have been enormously strengthened by the in-fighting within the Socialist Party (PS). The personal preference of President Mitterrand *would have* been to *hand* over the banner to his young favourite, Mr Laurent Fabius, president of the National Assembly. But Mr Fabius blew his chances this spring, when he tried to take control of the PS by storm, and succeeded only in precipitating a damaging split. As a result, the President has now acknowledged that Mr Rocard is the obvious party candidate.

These pre-presidential manoeuvrings are no doubt the inevitable consequence of a constitution based on presidential power. They take too little account of the parliamentary arithmetic and the next general elections will take place two years before the presidential elections.

The problem is that the polls seem to indicate a serious weakening of the appeal of the traditional parties, both of right and left.

The Socialists are suffering the effects of two years in power, with a poll support of only 28 per cent, compared with over 37 per cent at the 1988 general election. But the Gaullists and UDF are also worse off, with a combined support of only 35 per cent.

In contrast, the Ecologists are getting 12 per cent to 13 per cent support, while Mr Jean-Marie Le Pen and his extreme right-wing National Front is scoring 13 per cent to 15 per *cent. The strength of support* for the National Front may be a temporary phenomenon, in response to the current surge in tension over France's immigrant problems. But the overall impression of these figures is that there is widespread popular disenchantment with what is on offer from the traditional political parties.

This disenchantment may be a reaction to the consensus overlap between left and right.

If the traditional parties agree on so much, whether on economic or on foreign policy, *the disenchanted and the dis*possessed may turn to the eccentric fringe. Already in the 1988 elections there were signs that the traditional parties had lost touch with ordinary people, *and their over-familiar* leaders may have lost further ground since then. If the latest figures were translated into votes, a coherent parliamentary majority might be difficult to *stitch* together, whether on the left or on the right; unless, of course, the respectable conservative parties were to do a deal with the National Front.

Respectable conservatives profess horror at the racist propaganda spread by Mr Le Pen, and disclaim any idea of a deal. But they are all looking for a way to pick up his votes, without being observed.

The dilemma is acute, because the Le Pen factor will make even more difficult the creation of a united conservative party. Some populist Gaullists are tempted to flirt with the ultra-right, but the CDS centrists are naturally repelled. If there were a single big conservative party, it could contain a right-wing strand *without difficulty; but the ten*sions between the right and the centre make it difficult to create such a party.

The danger is that these tensions, between the need for political consensus and the need for antithesis, will remain unresolved, and may cause the political system to become unstable. At the very least, none of the established political forces appears at present to be making a compelling emotional appeal to the anxieties of the French electorate.

IMMIGRATION

The Socialists get tough

THE DEBATE on immigration in France is taking its tone more from *fear* than from facts. A sign is that the con*cept of a "threshold of toler*ance", with its implicit threat of a white backlash, has slipped into respectability, adopted not only by the pollsters but also by the President.

At what level of immigration toleration snaps is not specified, nor can it be. In this debate the figures are as elusive as the facts.

Nor does this year's census, the first for eight years, throw much light on the picture.

The "immigrant" on which fears focus is typically Muslim and of North African origin. He *or she* may *well hold French* nationality. The second generation, also widely perceived as "immigrants", will almost certainly hold French papers, or have the right to. The census covers *foreigners* in *terms* of nationality. It does not ask an ethnic question. It thus includes as foreigners categories within the EC not popularly perceived as immigrants, and classifies as French many who are felt to be alien. Of the former, the Portuguese are the largest group; of the latter, the Algerians.

A working estimate of the literally foreign population is around 4.5m, of which some 40 per cent is from the Maghreb. Overall immigrant births were 3.6 per cent of the total in France in 1960, 11 per cent in 1985. Average family size is diminishing among Algerians, not yet among the more recent arrivals from Tunisia, Morocco and Turkey. Primary immigration from the Maghreb is now a trickle. Family reunions from all sources are on the decline but cumulatively they have brought several hundred thousand to France in the past *decade. Asylum-seekers dou*bled last year to 80,000.

The political polemics centre on clandestine immigration. Here the figures are useless: the range starts at around 300,000 and goes as high as 1m. Legal and illegal categories tend to merge in a grey area of semi-official over-stayers, such as students and asylum applicants eventually turned down.

But the dilemma facing the orthodox parties far exceeds the issue of illegal immigration. The so-called "immigrant" debate exposes uncertainties about national identity in a country still (to outsiders) intensely nationalistic.

The rise and rise of Mr Jean-Marie Le Pen, the extreme right-wing National Front leader, has been aided by events of the past year. The Rushdie affair provoked disquieting fundamentalist echoes, followed last autumn by the "headscarf affair," which assumed a disproportionate significance as a perceived *threat* to secular state education. Mayors in two communes with high proportions of immigrants took unilateral action to stop any further inflows. Both the Socialist government and leading figures from the centre-right opposition called for a consensus on the immigrant question, but each on their terms. The Socialists wanted a round-table to consider the problem of racism, the right sought an agenda centred on immigration. By June this year it was clear that the consensus was still-born.

Jean-Marie Le Pen

After a number of fatal attacks on young Arabs, the desecration of Jewish graves in the southern town of Carpentras revived the spectre of anti-semitism. The Government's attempt to lay the *blame on the climate* created by Mr Le Pen, like most efforts to anathemise him, was re-interpreted as martyrdom.

The united display of outrage in the demonstrations that followed Carpentras had its roots in the guilt of centuries, but had little to do with the issue of post-war immigration. The respectable parties may in time discover some agreed approach to the relatively recent, and far more numerous, Muslim presence in France, but it seems not yet.

The opposition coalition cannot in practice achieve the unity it knows it needs for survival. It cannot even agree on *whether to talk to Mr Le Pen.*

On the Government side, the public emphasis has shifted well to the right. Mr Michael Rocard, the Prime Minister, has shelved any plans to give immigrants the vote in local elections. In a "minimum charter" presented as the basis for the hoped-for consensus, he proposes stricter application of the rules governing tourist visas, tighter processing of applications for asylum, and increased penalties for employers of clandestine labour and for anyone helping illegal *immigrants into the country.* The Prime Minister has also stressed that delays in handling asylum applications have already been reduced from years to weeks.

But the new *emphasis still* fails to satisfy the Right, which would like, among other things, to see French nationality for children of overseas origin born in France become less *automatic. At the same time,* the Socialist tough line forfeits links with the young immigrant lobby on the Left.

Less prominently billed have been the steps taken by the Government to accelerate the social integration of immigrants legally settled. New structures were installed in the winter: a senior council and an inter-ministerial committee to examine and propose action.

The French approach to the integration of immigrant communities addresses the problem of social deprivation. The poorer communes where immigrant families are concentrated, mainly round Paris and other major centres in the south and north-east, receive state aid for rehabilitation of *property* and extra staff and funding in schools. Programmes in the 1980s to revive declining satellite estates are now being complemented with ambitious pilot schemes for *whole agglomerations: the aim* is to co-ordinate all services, public, private and voluntary, in rectifying factors such as lack of training that lead to social exclusion.

The Socialists' "minimum charter" grants additional funds to the inter-ministerial body co-ordinating these programmes. Educational priority zones are again to receive extra resources, and the state is reassuming a more direct *role in the allocation of low-*cost housing – commonly denied to immigrant families.

However, distinctions between the needs of immigrant families and the needs of any deprived family are studiously avoided. The reasoning is threefold. The French urban poor require support too; immigrants of different origin have little in common and should not all be lumped together; to single out immigrants, still more their French-born children, is racist. But these arguments fail to take into account *the one factor that* Third World immigrants do face in common: racial discrimination.

In the daily lives of immigrant families, discrimination plays a role that can be decisive. *Many communes prefer to* leave flats empty rather than let them to North Africans. Today's thriving economy has demanded a high price in unemployment, paid disproportionately *by immigrants.*

Measures to provide a counterbalance to discrimination are felt by the French establishment to be too divisive (or politically risky). Positive discrimination is not within the spectrum of the debate. Anti-racist laws exist, but without a mechanism for enforcement. Cultural pluralism tends to be dismissed as "the Anglo-Saxon model", interpreted as separatism rather than tolerance.

The French tackle social problems in an effort to assist integration, and shy away from the issue of race. The British in the past decade have tended to do the reverse.

Neither approach would transplant easily. Current politics and past history are against it. An illustration is the reaction in France to any suggestion that the census might include an ethnic question. "God forbid," says one academic. Distinguishing cate*gories of citizenship had been* introduced in France only twice. Once for the Algerians who fought on the French side in the war of independence, "and a lot of good it did them." The other time was for the Jews in Nazi-occupied France.

Jennifer Monahan

FINANCIAL MARKETS

Paris takes on London

LAST YEAR, foreign investors nearly tripled their purchases of French stocks and shares to FFr190.6bn, with equities and Treasury bonds and bills leading the way.

The figures were statistical confirmation for Mr Pierre Bérégovoy, the Finance Minister, that foreigners were learning to love the French economy, which had already begun to win plaudits from outside observers, such as the Organisation for Economic Co-operation and Development.

Mr Bérégovoy's Ministry proudly announced that the investment surge "expresses the confidence of international investors in the franc and in the prospects for the French economy."

The figures also illustrated the strides the French capital markets have made, reinforcing Paris's eminence among the financial centres of continental Europe. It is perhaps the only European centre in a position to compete head-on with London.

A conscious policy of deregulation, carried through by successive left-wing and right-wing finance ministers, has provided France with the tools for international financial operations. These include formal stock, bond and futures markets, liquid interbank markets in short- term instruments, foreign exchange and derivative products, and since the beginning of this year, free capital movements.

Deregulation of the capital markets and a progressive end to the multiplicity of specialised and often subsidised lending circuits that characterised France 10 years ago led to an explosion in bond market activity in the first half of the 1980s: from FFr106bn of new issues in 1981 to a peak of FFr347bn five years later.

This growth was too rapid to continue, but new issue volumes have been sustained at FFr346bn in 1988 and FFr329bn last year, with non-state issuers now, once again, claiming a growing share of the pie.

Primary equity issues have displayed an even more explosive growth. From an average of just over FFr30bn a year in the early 1980s, new equity issues took off to FFr73bn in 1985, almost doubling the following year to FFr137bn.

This volume has continued to grow, almost unchecked by the stock market crash of October 1987, to reach FFr152bn in 1988 and FFr240bn last year.

Perhaps more significantly, public share offerings, which averaged FFr3bn a year in the early 1980s, have maintained their presence. New public issues, which reached a peak of FFr63bn in 1986, dwindled in the wake of the 1987 crash, and totalled FFr32bn in 1988. But they recovered to FFr59bn last year. In the shorter term markets, growth has been equally spectacular.

At the end of May, the Bank of France counted FFr670bn of certificates of deposit and short-term notes in issue from banks and financial institutions. The commercial paper market, created only at the end of 1985, counted FFr172bn from 116 different issuers.

The Paris foreign exchange market has also developed, and a Bank of France survey last year also showed daily turnover averaging $26bn – less perhaps than London, but doubled in the space of three years.

The market has also turned to more complex derivative products: the Bank of France estimates that there are FFr500bn of foreign exchange options outstanding, for example, while according to Crédit Lyonnais, the state-owned commercial bank, Paris trades FFr5bn a month of caps and floors, with liquidity as good at 10 years as at six months, and boasts a thriving covered warrant market developed principally by Société Générale, the privatised bank.

Reinforcing these markets is a formidable effort to improve back-office functions, most notably through the Relit stock exchange settlement system that is gradually coming into operation this year.

All the same, some French bankers still admit that Paris has been unable to take advantage of the economic difficulties of the UK to catch up much ground from London – although French banks have snapped up some of the British fund management groups available for acquisition.

They fear that the current buoyancy of the French market may owe too much to France's favourable economic conditions, and too little to French institutions' capacity to steal business away from their UK financial counterparts.

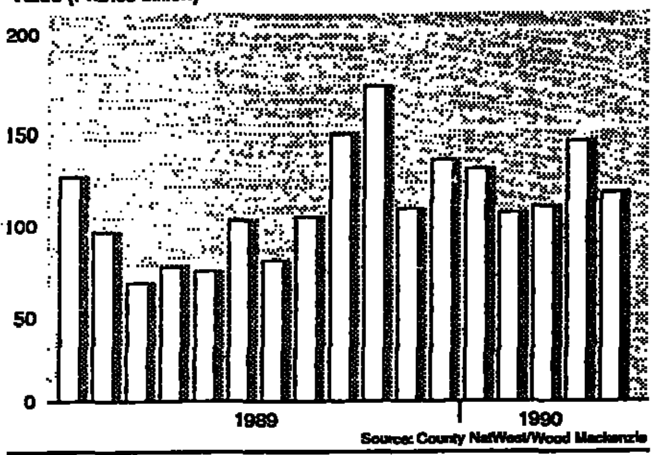
But as Mr Philippe Lagayette, deputy governor of the Bank of France, points out, Paris's development as a financial centre has been inextricably linked with healthy expansion in the French economy.

"Financial globalisation is a fact of life, but that does not break the link between financial activity and the real economy; a financial centre depends on the soundness of its economy and the soundness of the main currency in which business is conducted," Mr Lagayette said at a recent conference.

George Graham

Paris Bourse turnover

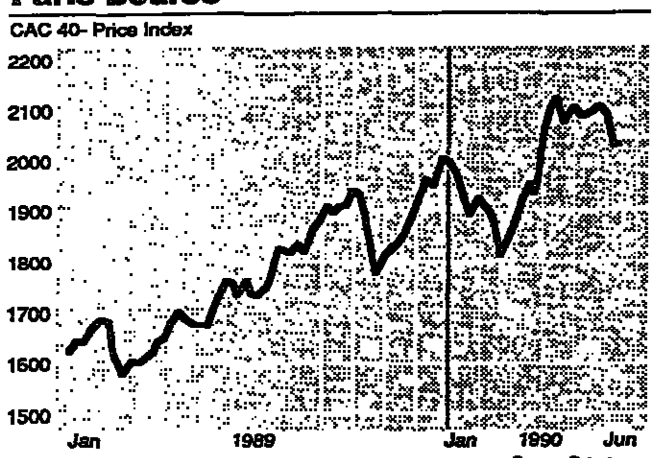
Value (Francs billion)



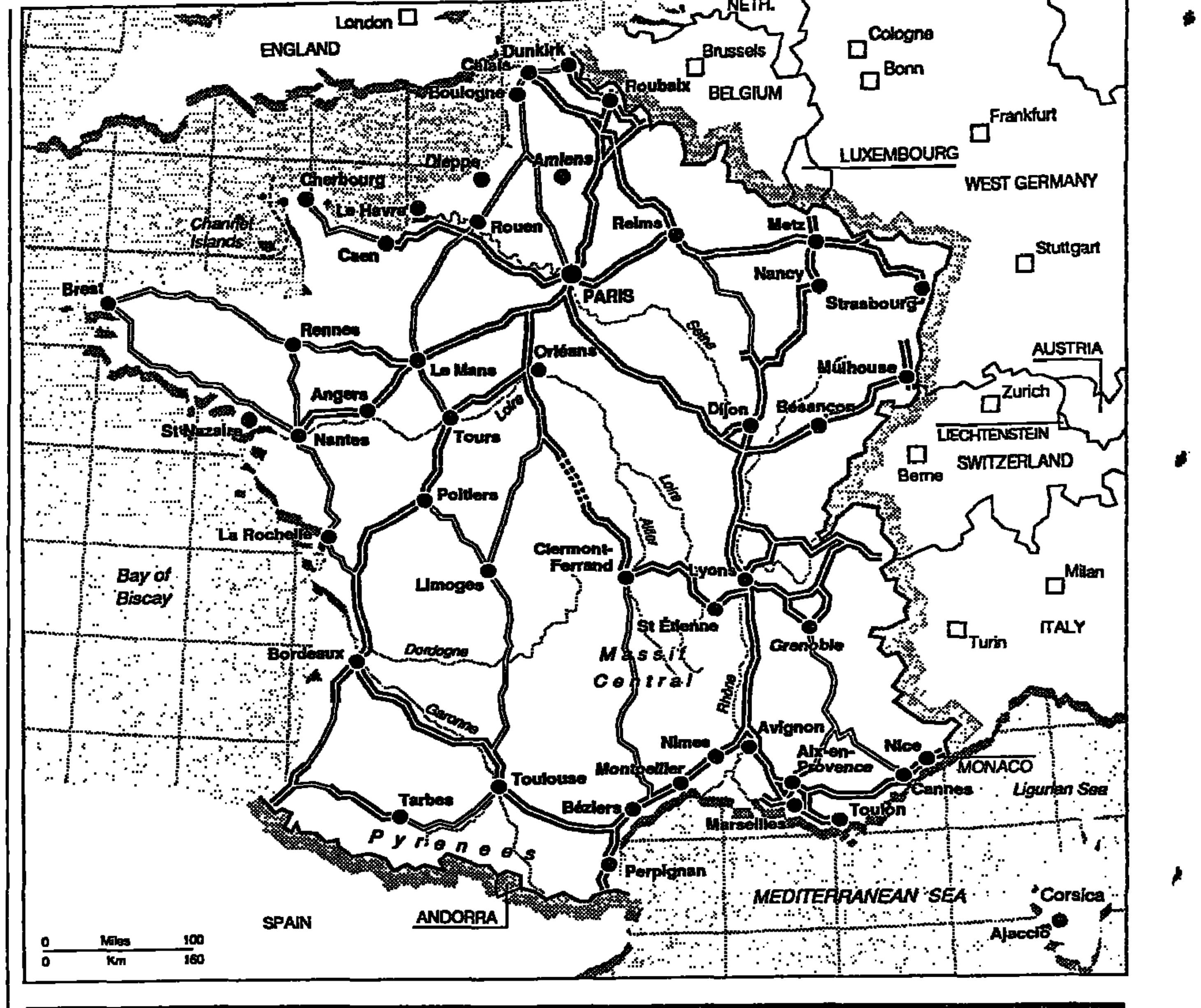
Source: County NatWest/Wood Mackenzie

Paris Bourse

CAC 40- Price Index



Source: Datastream



KEY FACTS AND ECONOMIC INDICATORS

Area .... 549,200 sq km
Population .... 55.75 million (1988 estimate)
Head of State .... President François Mitterrand
Currency .... 1 Franc = 100 centimes
Average exchange rate .... 5.96 Francs per $ (1988 average)
.... 6.38 Francs per $ (1989 average)

THE ECONOMY	1988	1989
Total GDP ($bn)	955.68	957.66
Real GDP growth	3.5%	3.3%
☐ Components of GDP (%):		
Private consumption	60.1%	
Gross fixed capital formation	20.3%	
Increase in stocks	0.7%	
Government consumption	18.7%	
Exports	21.5%	
Imports	−21.3%	
Current account balance ($bn)	−3.548	−3.686
Exports ($bn)	167.5	179.3
Imports ($bn)	173.0	186.2
Trade balance ($bn)	−5.418	−6.932
Export volume (% growth p.a.)	8.7%	8.4%
Import volume (% growth p.a.)	8.1%	7.1%
☐ Main trading partners (% of total value):		
Exports West Germany	15.7%	16.0%
Italy	11.7%	12.1%
UK	9.4%	9.5%
Belgium/Luxembourg	8.6%	8.9%
United States	7.0%	6.0%
Netherlands	5.4%	5.6%
Spain	5.2%	5.8%
Imports West Germany	20.0%	19.5%
Italy	11.8%	11.6%
Belgium/Luxembourg	9.3%	9.2%
United States	7.8%	7.7%
United Kingdom	7.4%	7.2%
Netherlands	5.4%	5.2%
Spain	4.3%	4.4%
Trade dependency*	35.6%	38.2%
☐ Inflation, (% growth per annum):		
Consumer prices	2.7%	3.5%
Producer prices (intermediate goods)	5.1%	5.6%
Unit labour costs	1.3%	2.3%

	1988	1989
☐ The labour market:		
Unemployment Total	10.0%	9.5%
Male	7.7%	7.1%
Female	12.8%	12.7%
Employment growth	-0.7%	1.5%
Female participation rate	57.2%	N.A.
Dependency ratio**	39.2%	N.A.
☐ Financial sector:		
Total reserves minus gold ($bn)	25.364	24.611
Gold reserves ($bn)	33.686	33.982
Budget deficit as % of GDP	2.0%	1.55
M1 growth rate	4.1%	7.9%
M2 growth rate	3.7%	4.4%
M3 growth rate	7.5%	8.0%
☐ Interest rates (monthly averages):		
Discount rate	9.50%	9.50%
Commercial banks prime lending rate	9.40%	9.78%
Call money rate	7.52%	9.07%
Three-month Treasury Bill rate	7.82%	9.38%
Long-term Government Bond yield	9.08%	8.81%
☐ Exchange rates:		
Francs to £1 sterling	10.59	10.45
Francs per ECU	7.0145	7.0037
☐ Exchange rate indices 1985=100:		
Market rate index	149.9	139.8
Trade-weighted exchange rate	98.7	103.9
☐ Stock market indicators:		
Turnover (monthly average FFr bn)	70.3	106
Growth in market capitalisation (year-end)	58.8%	42.6%
FTA France index gross dividend yield	2.98%	2.64%
FTA France index 1987=100	145.4	188.4
FTA Europe index 1987 =100	118.7	151.6

* Exports plus imports as % of GDP; ** % of population under 15 and over 60
Sources: IMF; Datastream; Economist Intelligence Unit; Christopher Flood, Keith Fray, FT Editorial Research Department.

EDUCATION

A push for greater equality

EDUCATION HAS always had a high profile in France.

It is an issue which brings crowds out into the streets and can be a graveyard for ministers who fail.

But it also incites celebration. To those used to the stratified and decentralised English system, the day of the philosophy examination for the baccalauréat provides an impressive demonstration of national values. It is a pity that Mrs Angela Rumbold, the UK Education Minister, who begins an official visit to France today, was not around to see teachers and, better still, government ministers being asked by the media to produce instant but convincing answers in three philosophical parts.

Education has a particularly high political profile. Campaigning for a second term of office, President Mitterrand made it his "priority of priorities" and that has gone into the Government programme.

At one time, Mr Michel Rocard wanted to keep education for himself, in addition to being Prime Minister. The Minister, Mr Lionel Jospin, who, as a former Socialist Party secretary, was destined for a high prestige job, controls a FFr210bn budget for a system which has 11.5m pupils and students, of whom 1.5m are in universities, and more than 800,000 teachers.

In fact, it has sometimes seemed that education has been almost too much in view, every week bringing a new policy statement.

To take the main ones over the past 18 months, there has been a renewed commitment to get no less than 80 per cent of the age group to baccalauréat level; there is a expansion plan for the (non-selective) universities which are expected to have another 300,000 students over the next five years; there is a programme to attract more teachers into an expanding profession, including raising pay and status significantly, and reforming teacher-training.

Curriculum policy has become much more widely consultative. A European ambition is avowed.

"Education should be more open in method and content to international co-operation and the construction of Europe," says the July 1989 Education Act, which caps it all and which, in the declaratory way of French law, brings these apparently disparate policies together.

In addition, the law has been clarified on the relationship between religion and the schools, a thorny issue in France's secular system.

Sceptics may ask whether such a mountain of propositions are worth the paper they are written on. What one can say for English observers is that the projects are highly revealing of attitudes, with an added comparative interest given that the French and British systems are at much the same stage of development and are locked into the same economic trends.

For while the thinking which has led to the new British Education Act emphasises greater "consumer" choice on one hand and more policing by central government, the French approach has been very different. Two aspects sum that up. The first is the way the French have defined the context in which to make education more effective. The second lies in decentralisation, which becomes more real day by day. The French system, a byword since Napoleon's time for centralisation and uniformity, is working hard to be more flexible and diverse.

Among the strands which have led to this new policy are, first of all, the need to come to terms with social and economic trends. Demand for qualifications is very high. The classical baccalauréat of the lycées which was awarded to 10 per cent of the population 30 years ago now goes to over 30 per cent. The new technical and commercial streams account for 15 per cent more.

The French system, a byword since Napoleon's time for centralisation and uniformity, is working hard to be more flexible and diverse

On the other side of the fence, where unskilled work is being decimated, employers are crying out for a more skilled workforce at every level, capable of adapting intelligently.

Here, France comes out worse than Britain, with a higher rate of the young unemployed. It is here that Mrs Rumbold has come to exchange ideas.

As she will find, in analysing this problem the French have seen it as part of a wider scene, a *sine qua non* being that failure is a social problem as much as an individual one.

Educational exclusion and social exclusion go hand-in-hand, say the specialists, adding that, as a report a few years ago showed, the excluded are not necessarily immigrants. A *laissez-faire* attitude to failure is also seen as contrary to a commitment which is republican, rather than narrow party policy. "The school does not have the right to neglect a single pupil," states the new law.

In this spirit, provision is made under the new law for 95 per cent of four-year-olds, and 85 per cent of three-year-olds to attend school, with special provision for "educational priority zones"; education is to be organised by cycles of two or more years rather than by pupils' age or class level as a way of enabling pupils to work at their own rhythm; the collège (years one to four of secondary school) should cease to "orient" (ie, push out) pupils before the end of the third year (the fate of 30 per cent or so); bridges between general and technical education is to be increased; and national evaluation of schools is introduced.

The new law may even mark the final destruction of the myth that a French Minister of Education can say what is being taught in any school at any time, thanks to the centralised curriculum. Now, the diversity of real life is not only admitted but encouraged with the notion that schools be more open to their community and much more attentive to individual needs.

This time, it looks like becoming reality. For another strand in the development of the new policy is that a centralised system has become almost impossible to manage and finance. "Working in partnership" is the new mode.

The decentralisation laws which have management and maintenance responsibilities for lycées and colleges to the regions and the departments respectively are, however, successfully unlocking local cash along with local pride. Indeed, regions would now like to get their hands on at least the first cycles of universities.

Inevitably, the new policy is delicately balanced. And, of all the criticisms that the new developments excite, the worry that the state is no longer the guarantor of standards features almost as widely as the more obvious criticism that quality is being sacrificed to quantity.

The attachment to national curricular programmes and national awards remains strong for practical as well as ideological reasons, bringing together a business community unhappy to see barriers to mobility raised and those who fight for more equal opportunity.

However, there is little evidence of the French state withdrawing from its infrastructure role in education. You only have to read a phrase like "the state will – and it is its mission – provide the necessary support" in the new university plan, and see senior French civil servants shuffling backwards and forwards to Brussels to the office of Mr Jacques Delors, or in operation at international conferences. What is happening is that the state is responding to a new context on the principle well-known to the French administration that you do not fight the underlying trends, you, as they say, "accompany" them.

Indeed, as the French take an active role in promoting European-wide projects which, as the new law puts it, are based on such European characteristics as "curiosity, creativity and the capacity to adapt" and the British say "that's not in the Treaty of Rome," one may wonder if the TGV scenario is on replay.

Anne Corbett

DEMOGRAPHY

A political hot potato

FRANCE IS unique in Europe in having proportionally more babies while worrying about having too few.

For decades the statistics have shown a steadily declining birth rate, although not as *steep as in neighbouring countries*. But the validity of the figures has recently been hotly contested in a row between experts at INED, the French national demographic research institute.

The row concerned discrepancies between two key indicators, the annual fertility rate, which is the basis of the statistics, and the final toll.

The final toll method measures the average number of children born to women of a given generation. The annual fertility rate has given a figure since 1976 which fluctuates around 1.8. The final toll gives a figure only marginally below 2.1, which is considered the current "magic line" for generation replacement.

The explanation for the difference lies in the fact that women have been having babies later.

Mr Gérard Calot, the director of INED, recently said that the annual birth rate might be deceptive. He also said that even the higher rate registered by the total toll would not completely replace the generations. Mr Hervé Le Bras, the institute's director of research, took issue, accusing the establishment of collusion in deliberately using the lower measurement to deceive the public.

After the quarrel, the INED published a statement defending its independence from politics. Only in France could such a row generate so many headlines – mainly because the birth rate is such a political issue.

Jennifer Monahan

William Dawkins on the air transport industry

Merger concerns

FRANCE'S AIR transport industry has gained a controversial international reputation in the past year.

The new and unprecedented concentration of services in France's airline industry has raised serious worries from the *European Commission's* competition authorities and from smaller airlines.

They see Air France's agreement last January to take control of UTA, which was the country's only significant privately owned carrier, as another worrying step in the growing trend of mergers and co-operation accords among big European airlines. The effect, they fear, will be to squeeze out competition from the smaller airlines that the EC is trying to encourage, and to push up fares.

The French Government, which had been considering a reorganisation of the airline industry for the last two years, sees it in a different light.

It argues the deal gives Air France the critical size it needs to fight against US and low-cost Asian carriers.

Even one of Air France's corporate customers has to admit: "To have a trump card to play in the aviation game, France needed to have a single large international company."

The deal has created Europe's largest – and the West's third biggest – airline.

Added to a co-operation agreement signed last autumn between Air France and Lufthansa, the West German national carrier, this has set into place a very powerful European airline block.

However, this goes precisely in the opposite the direction to the EC air transport policy dedicated to the creation of a deregulated market in which smaller, independent airlines can expand.

In taking control of UTA, Air France also took over its Air Inter affiliate, which has a near-monopoly of French domestic transport. It already had virtual control of TAT, the regional airline which is France's fourth largest carrier.

The new combination has a neatly complementary route *structure, with UTA* controlling African and South Pacific routes and Air France covering the rest of the world. It also removes a perennial problem for UTA, which had long complained that its growth prospects were limited by the Government's refusal to let it open new routes to Europe and North America.

The Commission may ask Air France to shed some routes to limit the damage to competition

The European Commission is expected to consider demanding that Air France shed some routes to limit the damage to competition, in line with the requirements set by Brussels for British Airways' takeover of British Caledonian.

Indeed, Air Liberté, the French charter group, has already asked permission to become a regular airline and take over 10 per cent of the slots held by the new combine.

Mr Lofti Belhassine, Air Liberté's managing director, conjures up a picturesque view of the possible damage to competition. "What the French Government risks doing in allowing the Air France-UTA takeover is the creation of an organisation which is the equivalent of Aeroflot and Intourist rolled into one," he said at the time of the merger.

There is no doubt that Mr Bernard Attali, Air France's chairman, will drive a hard *bargain against any attempts* to clip his company's wings.

"This monopolistic image which people are seeking to entertain is out of place," he recently said.

"Why should Air France be treated in a discriminatory manner and be forbidden from aligning itself with a situation *that exists* everywhere else in Europe?" he asked.

The merger lifted Air France's share of traffic leaving the country with French carriers from 78 per cent to 97 per cent, compared with Lufthansa's 99.8 *per cent share* of West German traffic, according to Mr Attali.

He says the first specific advantages of the merger are expected to come from the savings gained from joint buying of fuel, the pooling of computer systems and common recruitment of flight staff.

The new shape of France's airline industry began to take its outlines in 1988, when the Government introduced a first measure of reorganisation, after many years of internal debate. This allowed Air Inter five new European routes, its first real diversification outside a domestic market where otherwise fast growth was being annoyingly hampered by the success of the Trains A Grande Vitesse.

However, these new routes had to be operated in close co-operation with Air France, which in turn opened routes from Paris to five large French cities. This agreement is also being scrutinised on competition grounds by the Brussels Commission.

Now that Air France has swept up the rest of the domestic market, the next stage will take place in Brussels. It provides an extremely important test between European airlines' need to build their size and strength to face international competition, against the EC's attempts to build a freer European air transport market.

William Dawkins on the development of cheap and plentiful nuclear power

The EC's largest energy exporter

AN INDEPENDENT nuclear-based source of power has been at the heart of France's energy policy since the 1973 oil price shock – and so it will remain for the foreseeable future.

Successive governments, left and right, have pursued that aim with remarkable consistency over the years, an industrial version of the consensus that maintains France's independent nuclear deterrent.

The Government argues the country's meagre coal resources and the moderate size – at least on the global stage – of Elf Aquitaine and Total, the state-controlled oil and gas companies, give it little option. This is all the more true at a time when some analysts are forecasting a 70 per cent rise in world energy consumption between now and 2020, Mr Roger Fauroux, the Industry Minister, told a recent parliamentary debate.

The fast expansion of France's publicly-owned nuclear power capacity over the past decade has laid the Government open to charges of dumping cheap electricity surpluses on its European neighbours and stretching European Community competition rules to the limit – allegations it strenuously denies.

All the same, it is a striking achievement. France is not only the world's second largest provider of nuclear-powered electricity after the US, but it is the country with the world's highest dependence on nuclear power in relation to its consumption, a position which causes much less of the popular worry about nuclear safety that bedevils Britain's and West Germany's smaller nuclear programmes.

It provides just under half of its own power needs – more than twice as much as before the first oil shock – and has enough left over to be the EC's largest energy exporter.

Electricité de France (EdF), the state-owned electricity board, derives 80 per cent of its power from nuclear plant and provides French industry with some of the cheapest electricity in the EC.

Its 55 reactor units, with a capacity of 52,000MW, provide about a third of the country's primary energy consumption, compared with 45 per cent for oil and gas. Moreover, EdF's gross electricity exports, negligible in the early 1980s, reached FFr3.2bn last year, 15 per cent more than in 1988.

The Government's priority is to hold onto that position, and also push for fewer barriers to cross-border sales of electricity in the EC's creation of a single market. Mr Fauroux recently said net exports would double: "if we can surmount the obstacles of all kinds which still hold up the development of exchanges."

Britain is the biggest buyer of French electricity, via cross-channel cable, followed narrowly by Switzerland and Italy.

West Germany's large industrial market is more or less closed to French electricity because of protection measures used by the Bonn Government to prop up its costly but politically-important coal industry.

France subsequently sells more than seven times more electricity to tiny Switzerland than it does to its German neighbour. Mr Fauroux last year signed an accord with the West German Government to "develop electricity exchanges" and work together on nuclear safety and other aspects of energy policy. But the opening of the German market still faces political problems.

Meanwhile, EdF has made its first contacts with eastern Europe, with the sale last year of computer-aided design equipment for power stations to Hungary, Czechoslovakia and the Soviet Union.

Critics maintain that France has overdone its nuclear policy. An over-ambitious plant building programme in the 1980s has left it with a power surplus that overhangs the European energy market, they say. But Mr Fauroux and Mr Pierre Delaporte, EdF's chairman, could not disagree more. The two men do not see eye to eye on several matters, notably how much EdF should be allowed to charge French users for its electricity.

But they are both firmly opposed to the conventional view that the nuclear power surplus – if there really is one – is a problem.

"It is an asset for our economy," Mr Fauroux told a recent parliamentary debate. "We possess a structural advantage in this domain and not just a temporary over-capacity leading us to sell off our surplus," he said.

In contrast, Mr Delaporte cannot accept the existence of a surplus after the "catastrophic" experience of last year's unusually hot summer.

The drought made EdF short of water to cool its nuclear power stations and hampered its ability to make up the gap with older hydro-electric plants. As a result, it had to use more expensive coal and gas-fired power stations – a factor behind EdF's FFr4bn loss last year. Far from reducing its capacity, EdF is building another eight units, due to come on stream in 1993.

Another feature in EdF's loss in 1989, the second consecutive year of losses and the sixth time in the past decade, is the Government's policy of holding price rises well below the inflation rate. The blunt Mr Delaporte has remarked more than once that EdF's state shareholder appears to believe that it is "indecent" for public service companies to make profits.

Mr Delaporte's industrial customers would probably not agree. For they benefit from the lowest electricity prices of any EC country apart from Denmark, 48 per cent below UK rates for larger companies and 54 per cent less than West Germany's.

The advantage this gives French power users is one reason why the country is attractive to energy-intensive industries such as paper making, where several Scandinavian companies have bought or invested in France in recent years. Among them is Finland's United Paper Mills, which plans by the end of this year to open a new plant for its French subsidiary, Stracel.

It will consume the equivalent of a quarter of the electricity used by the nearby city of Strasbourg.

It is no surprise that some of EdF's largest supply contracts, with Pechiney, the state-controlled packaging and aluminium group, and with US-owned Exxon Chemicals have been scrutinised very closely by Sir Leon Brittan, the European Commissioner for Competition Policy. The Commission obliged Pechiney to accept slightly higher electricity prices than planned for what will be the company's biggest aluminium smelter at Dunkirk in northern France, and is meanwhile considering whether the Exxon scheme includes an illicit state subsidy.

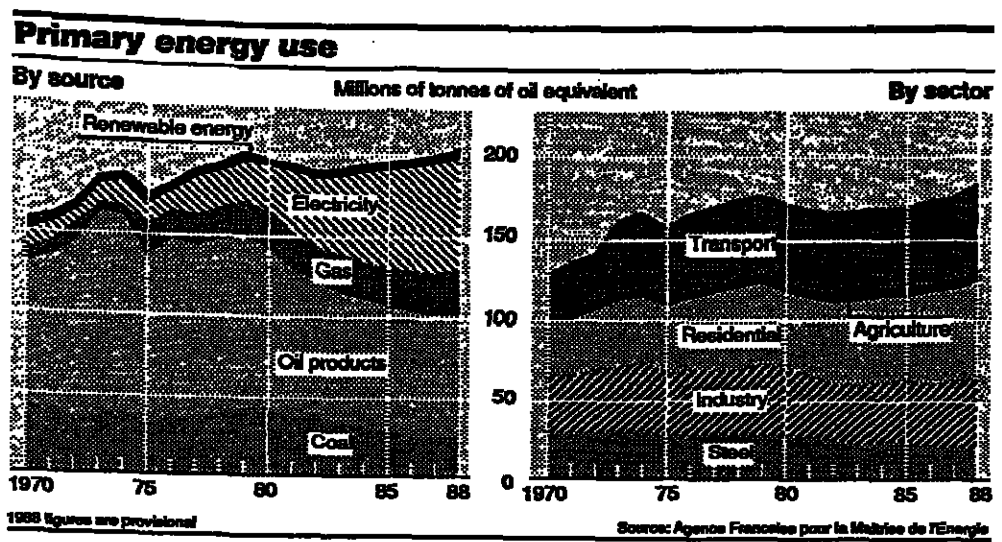
EdF's prices are set in renewable four-year operating plans, agreed with the Government. The most recent, from the start of 1989 to the end of 1992, targets a FFr20bn reduction in EdF's FFr232bn debts, sets objectives for improving services and binds EdF to hold price rises at 1.5 per cent below the inflation rate.

In the event, the Government has squeezed EdF even harder than that. Last year's average price increases came out at 0.6 per cent, less than half the 1.5 per cent contained in the original budget, which was itself based on an inflation forecast which was below the actual rate.

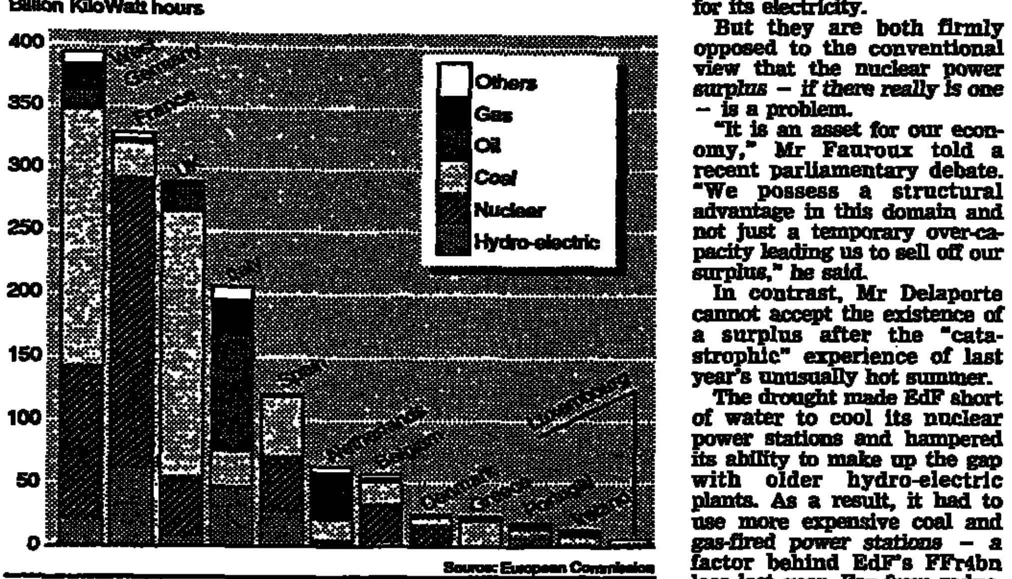
This low price policy makes its competitors and the Brussels Commission suspect that it is deliberately selling at a loss, argues EdF's management. Moreover, it risks eroding the commercial drive of its industrial customers.

But for the future, it looks as if the Government's energy policy will continue as before, so that companies operating in France can continue to count on cheap nuclear electricity.

Primary energy use



European energy production



BANKING AND INSURANCE

Alliance pressures

A YEAR ago, French bankers and insurers were taking up positions in a heated and largely theoretical debate on whether their two trades could be successfully merged to form a single concept of "bancassurance."

Even then, it was obvious that neither side was willing to sacrifice opportunities for extending their product ranges or broadening their client lists on the altar of dogmatic purity.

A year later, it is even clearer that pragmatism is the guiding principle; bankers and insurers have developed a renewed respect for the specificities of their own professions.

Banks and insurance companies alike face their own sets of pressures – tighter regulations, changing competitive conditions – and it has become clear that an alliance between the two can only respond to some of these problems.

French banks, like those in most other leading banking centres, are being compelled by the mounting pressures of the Cooke capital adequacy ratios to reconsider the businesses they are active in and, in some cases, to restructure radically.

The 16 largest French banks at the end of 1988 had capital bases covering 8.6 per cent of their total risks, according to the Cooke ratio definitions.

On the stricter definitions to come into effect in 1992, however, this ratio drops to 7.5 per cent, below the 8 per cent that will be required. They will, therefore, need to strengthen their capital bases in order just to stand still, let alone to permit them to expand their activities.

For the smaller banks, the effect of the Banking Commission's tighter surveillance, evident for three years, has been dramatic. The Banking Commission's requirement that each bank should progressively build its bad debt provisions up to the average of the profession, now followed by the application of the Cooke ratios, has triggered an enforced restructuring of the French banking sector.

The effects have been most striking in the areas of Middle Eastern and consortium banks. Noisy failures such as United Banking Corp or Lebanese Arab Bank, and less noisy bail-outs such as Kuwaiti French Bank, have had only limited effect, but not all the difficulties have been on such a small scale.

Al Saudi Banque left losses of over FFr2.2bn to be borne by the rest of the French banking profession, while Banque Arabe et Internationale d'Investissement (BAII) could have presented problems on the same scale had not Banque Nationale de Paris (BNP), the largest state-owned bank and one of BAII's main shareholders, stepped in to inject fresh equity and take a large portion of the consortium bank's troubled loan portfolio onto its own books.

Analysts estimate, nevertheless, that BAII will cost BNP less than Banque Internationale pour l'Afrique Occidentale (BIAO), a West African consortium bank where, once again, it is having to pick up the pieces as reference shareholder. BIAO had already cost BNP over FFr1.5bn by the end of 1989, and the liquidation of its Paris operations and withdrawal from its three main offshoots in Senegal, Cameroon and Côte d'Ivoire is expected to cost several hundred millions more.

Even the biggest banks, whose capital bases need no outside support, face pressures

This enforced restructuring has reached as far as the Banque Française du Commerce Extérieur (BFCE), the foreign trade bank which has now obtained the backing of Assurances Générales de France (AGF), the state-owned insurance company. Messieurs Hottinguer et Cie, the oldest bank in France, has also felt the wind blow and has converted, after two centuries of existence, into a limited liability company.

Even the biggest banks, which have comfortably provisioned 60 per cent or more of their sovereign debt risks and whose capital bases need no outside support, face pressures: in particular, that of trimming their sometimes overweight branch networks and staffing rosters in order to compete. A series of rumbling strikes last year, most notably at the BNP, provided an ominous warning of problems to come with network restructurings.

Insurance companies do not face the same capital adequacy imperatives as their banking counterparts, but they have undergone a thorough overhaul of the insurance code which governs their activities, and they confront similar problems in adapting their distribution networks to new competitive conditions.

It is no longer fashionable, as it was little more than a year ago, to suggest that tied insurance agents, the dominant distribution form in France, are uncompetitive and doomed to extinction.

Nevertheless, traditional insurance companies must rethink their relationships with their tied agents and create new organisational structures, either, like AXA-Midi, because they needed to merge four separate and competing networks into a group, or simply to match the competition of France's direct sales mutuals, for the most part extremely efficient.

Yet French insurers have been most visible recently in their efforts to gain market share throughout Europe with a series of substantial deals: the grouping formed by Victoire, now owned by the Suez investment and banking conglomerate, with Colonia/Nordstern in West Germany, Nieuw Rotterdam in the Netherlands and Baltica in Denmark, or UAP's recent push into the assistance and emergency services field with the FFr850m acquisition of Spain's Gesa.

"There are two aspects not directly linked to economies of scale which explain the fantastic battle being played out today on the European scene. The first is the constitution of networks; we are fighting not so much for size, as for presence and market share in various countries," commented Mr Michel Albert, chairman of AGF, at a recent conference: "The second aspect, a bit more perverse, is that when the whole market is involved in a spiral of concentrations, you have to get involved yourself."

George Graham

Deregulation of telecommunication services

Shackles to be removed

FRANCE TELECOM has won a long campaign to throw off its political shackles so that it can operate more freely in the increasingly competitive European telecommunications market.

The deregulation of France's telecommunications industry, which passed its main parliamentary hurdle last month, will from next January remove France Télécom from the control of the Posts and Telecommunications Ministry – where it had the status of the government department.

It will allow the organisation to manage its own affairs as independently of political control as most of its European competitors. This is a gentler brand of deregulation than has been the case in the UK or even West Germany. It also falls well short of the telecommunications privatisation wanted by the previous right-wing government, but frustrated by the unions.

Even so, this is one of the biggest legislative tasks to have been tackled by the Socialist administration, as well as a prime example of how the Government is happy to encourage the public sector to become more entrepreneurial and aggressive.

The philosophy behind the plan is to help the telecommunications authority become more internationally competitive ahead of the liberalisation of telecommunications services across the EC in 1993, while at the same time preserving the organisation's public service role.

It splits the telephone and postal services into separate independent organisations, in contrast to their old status of ministry departments, a set-up only shared by an eccentric European minority of Denmark and Luxembourg.

The plan coincides with new rules laying out for the first time in which areas of data communication - its fastest growing and most profitable service - France Télécom will lose its monopoly.

In line with the EC telecommunications services directive, France Télécom would keep its monopoly on the basic network and voice phone services.

The supply of terminal equipment like telefax machines and telephone handsets and value-added services like home banking, will be open to competition, but subject to strict licensing conditions. Initially, the Government wanted to keep a public monopoly on basic data switching - the simple transfer of computer data - but softened that position to allow competition on condition that private companies do not undercut France Télécom.

"If the public service has to connect everybody, even if it costs money, and the competitors cream-skim all that is profitable, that is the end of the public service," argued Mr Bruno Lasserre head of the DRG, the telecommunications regulatory authority.

France Télécom, one of the country's biggest industrial employers with sales of FFr94.5bn last year and 155,000 staff, will be run as a state-owned service company, along the same lines as the SNCF.

The DRG regulatory body will stay in the ministry. While Mr Lasserre insists that the DRG polices the service independently of political influence, his status contrasts with the full independence granted to Oftel, the DRG's British equivalent - a reminder of the strength of the public service ethic.

In giving France Télécom its freedom, Mr Paul Quilès, the Telecommunications Minister, was partly responding to the wider European pressures.

These were highlighted in an independent report he commissioned last year from Mr Hubert Prévot, former head of the national planning agency, which was the domestic trigger for these changes.

But Mr Quilès was also being egged on by the management of France Télécom itself, keen to shake off a heavy an anachronistic political control that dates from 1837, when Louis Philippe was attempting to regulate the early telegraphic service. There is a perception that the heavy hand of the state was a help in modernising the basic service during the 1970s and 1980s, but that a lighter touch is now needed.

Moreover, France Télécom felt hampered by having its budget frequently raided by other government programmes at a time when it needed to invest heavily in new services like mobile communications and integrated services digital networks, the future networks for simultaneous voice, data and picture transmission.

In the past two decades, France has moved from having one of Europe's worst telecommunications services to one of its best; with business and domestic phone charges among the world's lowest, the world's largest data switching network and the greatest availability of digital transmission.

France has moved from having one of Europe's worst telecommunications services to one of its best, says WILLIAM DAWKINS

It has created Minitel, the world's largest videotext service, with more than 5m free terminals in French homes and offices. It gives access to several thousand services from erotic messages - said to be on the decrease - to home banking, share prices, tele-shopping and travel bookings and is just beginning to explore export markets.

Yet France Télécom has missed the odd trick. It is behind the game on mobile phones, where the density of mobiles in use in France is a mere fifth of that in Britain and one twentieth of Scandinavia. Some observers blame this on Government pressure to concentrate on Minitel and installing fibre optic cables, at the expense of other services.

However, France Télécom is now working hard to catch up. Trials are about to start for a Telepoint-style pocket phone service, in which subscribers make calls from near base stations dotted around in public places. A full service is scheduled nationwide for the mid-1990s.

Suppliers' and customers' organisations equally welcome the prospect of change, on the grounds that France Télécom should be easier to do business with as a public company than as part of the powerful PTT Ministry. At present, says Mr Jean-Claude Lavenir, head of SIST, the telecommunications equipment makers' association, the Government is "judge and jury in its own case." Mr Jean-François Berry, head of the telecommunications users' organisation, is pleased with the service, but agrees that change is needed.

Yet the reform could also make life harder for French suppliers if it makes it easier for France Télécom to pursue a less nationalistic purchasing policy, something it is already being obliged to do by the pace of technological change. To keep its networks up to scratch, France Télécom is obliged to look abroad for suppliers more than in the past, since the domestic industry cannot be expected to supply all of its increasingly complex needs.

Giants like Alcatel, the dominant supplier, can compete, partly thanks to the Government's supportive industrial policy of the past decade, but also helped by its merger with the telecommunications activities of ITT of the US, creating Europe's largest telecommunications equipment group.

Smaller producers like SAT, 15 per cent owned by Matra, may be vulnerable without alliances with larger foreign groups, fear observers.

It says something about France's generally more liberal climate that Mr Quilès managed to negotiate the reform smoothly through the unions representing the 435,000 staff of both organisations, a task that failed his predecessor in the previous Gaullist administration, Mr Gerard Longuet.

They were initially fearful of losing their status as civil servants, but have accepted promises that their jobs will be just as protected under the new scheme. Mr Quilès also negotiated cleverly, by using European pressure for liberalisation to lean on the unions, while at the same time using the unions' anxieties to push - successfully - for a more cautious EC directive than the European Commission had wanted.

BNP: THE FUTURE IN HAND

1989: BRISK ACTIVITY, STRONG INCOME GROWTH.

In the midst of an extraordinarily eventful year and an international context of economic growth and financial market volatility, BNP successfully reasserted its basic ambitions: strengthening its position as leading universal bank in France and playing a major role in banking in Europe and the rest of the world.

In France and abroad, BNP increased market share, developed networks, enlarged the range of its products and services, modernized its operating facilities and strengthened its financial structures.

Professionalism, quality and innovation are the key values of our corporate plan, serving every category of customer. BNP has its future well in hand.

THE LEADING UNIVERSAL BANK IN FRANCE

1989 was a year of **brisk activity for BNP**, with strong growth in deposits, lending, asset management and financial transactions.

The bank thus enlarged its share of the market, particularly with respect to private customer and small and medium-sized company lending. At the end of 1989, assets managed by BNP (deposits, UCITS, life insurance) reached FRF 480 billion, increasing by 12.8%.

The agreement with UAP enabled BNP to offer a broader range of services and to diversify channels of distribution: "insurance windows" have already opened in a number of branches.

BNP developed its network: Banque de Bretagne joined the Group with its 78 branches and its subsidiary Banque de la Cité.

At the same time the bank increased the pace of **modernization of its operating facilities.** In its branches, renovated and more functional, 15,000 multi-purpose work stations have been installed, with direct data acquisition capabilities for customer transactions. More than 1,000 BNP automatic teller machines are now available to the public.

On financial markets, BNP bolstered its number one position in share flotations (52 transactions), stock market listings (9 listings on the second market), commercial paper and certificates of deposit.

A MAJOR GLOBAL PLAYER

In pursuing its international development, BNP has decided to base its growth on a policy of alliances, acquisitions and international developement.

A close relationship has been established with DRESDNER BANK. In Italy, BNP has become a shareholder of CREDITO ROMAGNOLO. BNP ESPAÑA alone opened 15 new branches in Spain in 1989.

The bank has returned to countries with which it has historical ties: Algeria, Vietnam, Madagascar. It broadened operations in Indonesia and Turkey and opened a subsidiary in Uruguay. The establishment of a leasing company in the USSR and a financial company in Hungary are the first stages of an active penetration of Eastern Europe.

In view of the Single European Market, BNP launched the first comprehensive line of European mutual funds, based in Luxembourg.

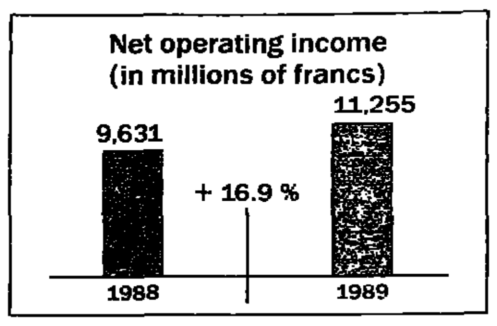
Three figures highlight the increase in BNP's earnings.

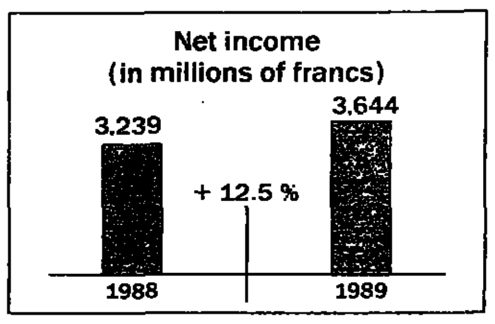
For the first time in its history, BNP's net operating income exceeded FRF 10 billion, reaching FRF 11.25 billion, a 16.9% increase.

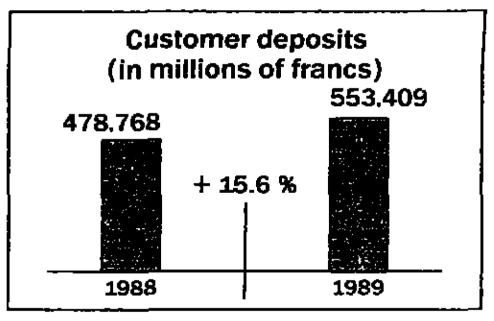
Net income for the Group rose to FRF 3.65 billion (+ 12.5%).

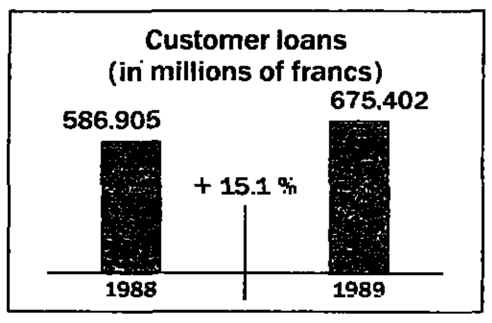
The dividend, including tax credit, of FRF 21.60 (versus FRF 19.50 in 1988) represents an increase of 10.80%.

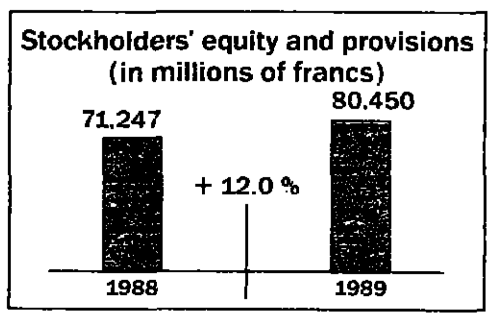
BNP 1989 : KEY FIGURES

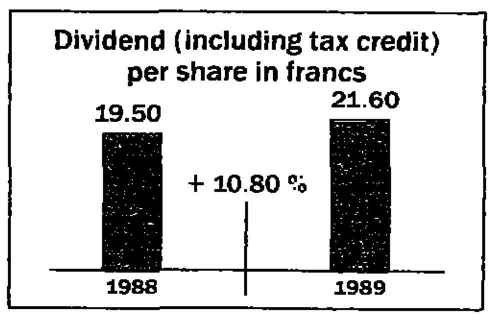












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